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Framework

International Framework for Assurance Engagements

INTERNATIONAL FRAMEWORK FOR ASSURANCE ENGAGEMENTS

Explanatory Foreword

The Council of the Malaysian Institute of Accountants has approved this International Framework for Assurance Engagements in March 2015 for publication.

Notes and Exceptions

The Council wishes to highlight that where reference is made in the Framework to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, it should be deemed as reference to the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants.

Effective Date in Malaysia

This amended *International Framework for Assurance Engagements* will replace the extant *International Framework for Assurance Engagements* at the time ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, comes into effect.

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INTERNATIONAL FRAMEWORK FOR ASSURANCE ENGAGEMENTS

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Introduction

1. This Framework is issued solely to facilitate understanding of the elements and objectives of an assurance engagement and the engagements to which International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs) (hereinafter referred to as Assurance Standards) apply.
2. This Framework is not a Standard and, accordingly, does not establish any requirements (or basic principles or essential procedures) for the performance of audits, reviews, or other assurance engagements.¹ An assurance report cannot, therefore, claim that an engagement has been conducted in accordance with this Framework, but rather should refer to relevant Assurance Standards. Assurance Standards contain objectives, requirements, application and other explanatory material, introductory material and definitions that are consistent with this Framework, and are to be applied in audit, review, and other assurance engagements. Appendix 1 illustrates the ambit of pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) and their relationship to each other and to the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants (IESBA Code).
3. This Framework provides a frame of reference for
 - (a) Assurance practitioners;
 - (b) Others involved with assurance engagements, including the intended users of an assurance report and those engaging a practitioner (the “engaging party”); and
 - (c) The IAASB in its development of Assurance Standards, Practice Notes and other papers.
4. The following is an overview of this Framework:
 - *Introduction*: This Framework deals with assurance engagements performed by practitioners.
 - *Description of assurance engagements*: This section describes assurance engagements and distinguishes direct engagements from attestation engagements, and reasonable assurance engagements from limited assurance engagements.
 - *Scope of the Framework*: This section distinguishes assurance engagements from other engagements, such as consulting engagements.
 - *Preconditions for an assurance engagement*: This section sets out preconditions for a practitioner to accept an assurance engagement.
 - *Elements of an assurance engagement*: This section identifies and discusses five elements assurance engagements exhibit: a three party relationship; an underlying subject matter; criteria; evidence; and an assurance report. It further explains important distinctions between reasonable assurance engagements and limited assurance engagements. This section also discusses, for example, the significant variation in the underlying subject matters of assurance engagements, the required characteristics of suitable criteria, the role of risk and materiality in assurance engagements, and how conclusions are expressed in reasonable assurance engagements and in limited assurance engagements.
 - *Other matters*: This section discusses communication responsibilities other than the practitioner’s assurance report, documentation, and the implications of a practitioner’s association with an underlying subject matter or with subject matter information.

¹ See the *Preface to the International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements*.

Ethical Principles and Quality Control Standards

5. Quality control within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. Such engagements are performed in accordance with Assurance Standards, which are premised on the basis that:
 - (a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to Parts A and B of the IESBA Code related to assurance engagements, other professional requirements, or requirements in law or regulation, that are at least demanding; and
 - (b) The practitioner performing the engagement is a member of a firm that is subject to ISQC 1,² or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality control, that are at least as demanding as ISQC 1.

The IESBA Code

6. Part A of the IESBA Code establishes the following fundamental principles with which the practitioner is required to comply:
 - (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality; and
 - (e) Professional behavior.
7. Part A also provides a conceptual framework for professional accountants to apply to identify threats to compliance with the fundamental principles, evaluate the significance of the threats identified, and apply safeguards, when necessary, to eliminate the threats or reduce them to an acceptable level.
8. Part B of the IESBA Code describes how the conceptual framework in Part A applies in certain situations to professional accountants in public practice, including independence. The IESBA Code defines independence as comprising both independence of mind and independence in appearance. Independence safeguards the ability to form an assurance conclusion without being affected by influences that might compromise that conclusion. Independence enhances the ability to act with integrity, to be objective and to maintain an attitude of professional skepticism.

ISQC 1

9. ISQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for assurance engagements. Compliance with ISQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel:
 - (a) Leadership responsibilities for quality within the firm;
 - (b) Relevant ethical requirements;
 - (c) Acceptance and continuance of client relationships and specific engagements;
 - (d) Human resources;
 - (e) Engagement performance; and

² International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

- (f) Monitoring.

Description of Assurance Engagements

10. An assurance engagement is an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the measurement or evaluation of an underlying subject matter against criteria.
11. The outcome of the measurement or evaluation of an underlying subject matter is the information that results from applying the criteria to the underlying subject matter. For example:
- The financial statements (outcome) result from measuring an entity's financial position, financial performance and cash flows (underlying subject matter) by applying a financial reporting framework (criteria).
 - A statement about the effectiveness of internal control (outcome) results from evaluating the effectiveness of an entity's internal control process (underlying subject matter) by applying relevant criteria.
 - Entity-specific performance measures (outcome) result from measuring various aspects of performance (underlying subject matter) by applying relevant measurement methodologies (criteria).
 - A greenhouse gas statement (outcome) results from measuring an entity's greenhouse emissions (underlying subject matter) by applying recognition, measurement and presentation protocols (criteria).
 - A statement about compliance (outcome) results from evaluating the compliance of an entity (underlying subject matter) with, for example, law and regulation (criteria).

The term "subject matter information" is used to mean the outcome of the measurement or evaluation of an underlying subject matter against the criteria. It is the subject matter information about which the practitioner gathers sufficient appropriate evidence as the basis for the practitioner's conclusion.

Attestation Engagements and Direct Engagements

12. In an attestation engagement, a party other than the practitioner measures or evaluates the underlying subject matter against the criteria. A party other than the practitioner also often presents the resulting subject matter information in a report or statement. In some cases, however, the subject matter information may be presented by the practitioner in the assurance report. The practitioner's conclusion addresses whether the subject matter information is free from material misstatement (see also paragraph 85).
13. In a direct engagement, the practitioner measures or evaluates the underlying subject matter against the criteria. In addition, the practitioner applies assurance skills and techniques to obtain sufficient appropriate evidence about the outcome of the measurement or evaluation of the underlying subject matter against the criteria. The practitioner may obtain that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation. In a direct engagement, the practitioner's conclusion addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria and is phrased in terms of the underlying subject matter and the criteria. In some direct engagements, the practitioner's conclusion is, or is part of, the subject matter information (see also Appendix 2).

Reasonable Assurance Engagements and Limited Assurance Engagements

14. In a reasonable assurance engagement, the practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner's conclusion. The practitioner's conclusion is expressed in a form that conveys

the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter against criteria.

15. In a limited assurance engagement, the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement but where that risk is greater than for a reasonable assurance engagement as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the practitioner's professional judgment, meaningful. To be meaningful, the level of assurance obtained by the practitioner is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential.
16. Across the range of all limited assurance engagements, what is meaningful assurance can vary from just above assurance that is likely to enhance the intended users' confidence about the subject matter information to a degree that is clearly more than inconsequential to just below reasonable assurance. What is meaningful in a particular engagement represents a judgment within that range that depends on the engagement circumstances, including the information needs of intended users as a group, the criteria, and the underlying subject matter of the engagement. In some cases, the consequences to intended users of receiving an inappropriate conclusion may be so great that a reasonable assurance engagement is needed for the practitioner to obtain assurance that is meaningful in the circumstances.

Scope of the Framework

17. Not all engagements performed by practitioners are assurance engagements. Other frequently performed engagements that are not consistent with the description in paragraph 10 above (and therefore are not covered by this Framework) include:
 - Engagements covered by International Standards on Related Services (ISRSs), such as agreed-upon procedures and compilation engagements.³
 - The preparation of tax returns where no assurance conclusion is expressed.
 - Consulting (or advisory) engagements,⁴ such as management and tax consulting.
18. An assurance engagement may be part of a larger engagement, for example, when a business acquisition consulting engagement includes a requirement to obtain assurance regarding historical or prospective financial information. In such circumstances, this Framework is relevant only to the assurance portion of the engagement.
19. The following engagements, which may be consistent with the description in paragraph 10, are not considered assurance engagements in terms of this Framework:
 - (a) Engagements to testify in legal proceedings regarding accounting, auditing, taxation or other matters; and
 - (b) Engagements that include professional opinions, views or wording from which a user may derive some assurance, if all of the following apply:

³ ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, and ISRS 4410 (Revised), *Compilation Engagements*

⁴ In a consulting engagement, the practitioner applies technical skills, education, observations, experiences, and knowledge of the consulting process. Consulting engagements involve an analytical process that typically involves some combination of activities relating to: objective-setting, fact-finding, definition of problems or opportunities, evaluation of alternatives, development of recommendations including actions, communication of results, and sometimes implementation and follow-up. Reports (if issued) are generally written in a narrative (or "long-form") style. Generally the work performed is only for the use and benefit of the client. The nature and scope of work is determined by agreement between the practitioner and the client. Any service that meets the definition of an assurance engagement is not a consulting engagement but an assurance engagement.

- (i) Those opinions, views or wording are merely incidental to the overall engagement;
- (ii) Any written report issued is expressly restricted for use by only the intended users specified in the report;
- (iii) Under a written understanding with the specified intended users, the engagement is not intended to be an assurance engagement; and
- (iv) The engagement is not represented as an assurance engagement in the practitioner's report.

Reports on Non-Assurance Engagements

20. A practitioner reporting on an engagement that is not an assurance engagement within the scope of this Framework clearly distinguishes that report from an assurance report. So as not to confuse users, a report that is not an assurance report avoids, for example:
- Implying compliance with this Framework, or with Assurance Standards.
 - Inappropriately using the words "assurance," "audit" or "review."
 - Including a statement that could reasonably be mistaken for a conclusion based on sufficient appropriate evidence that is designed to enhance the degree of confidence of intended users about the outcome of the measurement or evaluation of an underlying subject matter against criteria.
21. The practitioner and the responsible party may agree to apply the principles of this Framework to an engagement when there are no intended users other than the responsible party but where all other requirements of relevant Assurance Standards are met. In such cases, the practitioner's report includes a statement restricting the use of the report to the responsible party.

Preconditions for an Assurance Engagement

22. The following preconditions for an assurance engagement are relevant when considering whether an assurance engagement is to be accepted or continued:
- (a) The roles and responsibilities of the appropriate parties (that is, the responsible party, the measurer or evaluator, and the engaging party, as appropriate) are suitable in the circumstances; and
 - (b) The engagement exhibits all of the following characteristics:
 - (i) The underlying subject matter is appropriate;
 - (ii) The criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable to the engagement circumstances, including that they exhibit the characteristics described in paragraph 44;
 - (iii) The criteria that the practitioner expects to be applied in the preparation of the subject matter information will be available to the intended users;
 - (iv) The practitioner expects to be able to obtain the evidence needed to support the practitioner's conclusion;
 - (v) The practitioner's conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and
 - (vi) A rational purpose including, in the case of a limited assurance engagement, that the practitioner expects to be able to obtain a meaningful level of assurance.
23. The underlying subject matters of different assurance engagements can vary greatly. Some underlying subject matters may require specialized skills and knowledge beyond those ordinarily possessed by an individual practitioner. It is important, however, that the

practitioner be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph 31).

24. When a potential engagement cannot be accepted as an assurance engagement, the engaging party may be able to identify a different engagement that will meet the needs of intended users. For example:
- (a) If the criteria that the practitioner expects to be applied are not suitable, an assurance engagement that meets the other preconditions in paragraph 22 may still be performed if:
 - (i) The practitioner can identify one or more aspects of the underlying subject matter for which those criteria are suitable. In such cases, the practitioner could perform an assurance engagement with respect to that aspect of the underlying subject matter in its own right. In such cases, the assurance report may need to clarify that the report does not relate to the original underlying subject matter in its entirety; or
 - (ii) Alternative criteria suitable for the underlying subject matter can be selected or developed.
 - (b) The engaging party may request an engagement that is not an assurance engagement, such as a consulting or an agreed-upon procedures engagement.
25. Having been accepted, it is not appropriate to change an assurance engagement to a non-assurance engagement, or a reasonable assurance engagement to a limited assurance engagement, without reasonable justification. A change in circumstances that affects the intended users' requirements, or a misunderstanding concerning the nature of the engagement, may justify a request for a change in the engagement. If such a change is made, evidence that was obtained prior to the change is not disregarded. An inability to obtain sufficient appropriate evidence to form a reasonable assurance conclusion is not an acceptable reason to change from a reasonable assurance engagement to a limited assurance engagement.

Elements of an Assurance Engagement

26. The following elements of an assurance engagement are discussed in this section:
- (a) A three party relationship involving a practitioner, a responsible party, and intended users;
 - (b) An appropriate underlying subject matter;
 - (c) Suitable criteria;
 - (d) Sufficient appropriate evidence; and
 - (e) A written assurance report in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

Three Party Relationship

27. All assurance engagements have at least three separate parties: the practitioner, the responsible party and the intended users. Depending on the engagement circumstances, there may also be a separate role of measurer or evaluator, or engaging party (see also Appendix 3).
28. The responsible party and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity's senior management (an intended user) may engage a practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.

Practitioner

29. The “practitioner” is the individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm) by applying assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement.⁵ In a direct engagement, the practitioner both measures or evaluates the underlying subject matter against the criteria and applies assurance skills and techniques to obtain reasonable assurance or limited assurance, as appropriate, about whether the outcome of that measurement or evaluation is free from material misstatement.
30. If a competent practitioner other than a professional accountant in public practice chooses to represent compliance with an Assurance Standard, it is important to recognize that those Standards include requirements that reflect the premise in the paragraph 5 regarding the IESBA Code and ISQC 1, or other professional requirements, or requirements in law or regulation that are at least as demanding.
31. An engagement is not accepted if preliminary knowledge of the engagement circumstances indicates that ethical requirements regarding competence will not be satisfied. In some cases, these requirements can be satisfied by the practitioner using the work of a practitioner’s expert.
32. In addition, the practitioner needs to be able to be sufficiently involved in the work of the practitioner’s expert and other assurance practitioners to an extent that is sufficient to accept responsibility for the assurance conclusion on the subject matter information, and to obtain the evidence necessary to conclude whether the work of that expert or other assurance practitioner is adequate for the practitioner’s purposes.
33. The practitioner has sole responsibility for the assurance conclusion expressed, and that responsibility is not reduced by the practitioner’s use of the work of a practitioner’s expert or other assurance practitioners. Nonetheless, if the practitioner using the work of a practitioner’s expert, having followed the relevant Assurance Standards, concludes that the work of that expert is adequate for the practitioner’s purposes, the practitioner may accept that expert’s findings or conclusions in the expert’s field as appropriate evidence.

Responsible Party

34. The responsible party is the party responsible for the underlying subject matter. In an attestation engagement, the responsible party is often also the measurer or evaluator. The responsible party may or may not be the party that engages the practitioner to perform the assurance engagement (the engaging party).

Intended Users

35. The intended users are the individual(s) or organization(s), or group(s) thereof that the practitioner expects will use the assurance report. The responsible party can be one of the intended users, but not the only one.
36. In some cases, there may be intended users other than those to whom the assurance report is addressed. The practitioner may not be able to identify all those who will read the assurance report, particularly where a large number of people will have access to it. In such cases, particularly where possible users are likely to have a broad range of interests in the underlying subject matter, intended users may be limited to major stakeholders with significant and common interests. Intended users may be identified in different ways, for example, by agreement between the practitioner and the responsible party or engaging party, or by law or regulation.
37. Intended users or their representatives may be directly involved with the practitioner and the responsible party (and the engaging party if different) in determining the requirements of the engagement. Regardless of the involvement of others however, and unlike an

⁵ “Engagement partner” and “firm” should be read as referring to their public sector equivalents where relevant.

agreed-upon procedures engagement (which involves reporting factual findings based upon the procedures agreed with the engaging party and any appropriate third parties, rather than a conclusion):

- (a) The practitioner is responsible for determining the nature, timing and extent of procedures; and
 - (b) The practitioner may need to perform additional procedures if information comes to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based.
38. In some cases, intended users (for example, bankers and regulators) impose a requirement for, or request, the appropriate party(ies) to arrange for an assurance engagement to be performed for a specific purpose. When engagements use criteria that are designed for a specific purpose, the assurance report includes a statement alerting readers to this fact. In addition, the practitioner may consider it appropriate to indicate that the assurance report is intended solely for specific users. Depending on the engagement circumstances, this may be achieved by restricting the distribution or use of the assurance report. While an assurance report may be restricted whenever it is intended only for specified intended users or for a specific purpose, the absence of a restriction regarding a particular user or purpose does not itself indicate that a legal responsibility is owed by the practitioner in relation to that user or for that purpose. Whether a legal responsibility is owed will depend on the circumstances of each case and the relevant jurisdiction.

Underlying Subject Matter

39. The underlying subject matter of an assurance engagement can take many forms, such as:
- Historical financial performance or condition (for example, historical financial position, financial performance and cash flows) for which the subject matter information may be the recognition, measurement, presentation and disclosure represented in financial statements.
 - Future financial performance or condition (for example, prospective financial position, financial performance and cash flows) for which the subject matter information may be the recognition, measurement, presentation and disclosure represented in a financial forecast or projection.
 - Non-financial performance or conditions (for example, performance of an entity) for which the subject matter information may be key indicators of efficiency and effectiveness.
 - Physical characteristics (for example, capacity of a facility) for which the subject matter information may be a specifications document.
 - Systems and processes (for example, an entity's internal control or IT system) for which the subject matter information may be a statement about effectiveness.
 - Behavior (for example, corporate governance, compliance with regulation, human resource practices) for which the subject matter information may be a statement of compliance or a statement of effectiveness.

Appendix 4 shows a categorization of the range of possible underlying subject matters with some examples.

40. Different underlying subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period. Such characteristics affect the:
- (a) Precision with which the underlying subject matter can be measured or evaluated against criteria; and
 - (b) The persuasiveness of available evidence.

The assurance report may note characteristics that are of particular relevance to the intended users.

41. The appropriateness of an underlying subject matter is not affected by the level of assurance, that is, if an underlying subject matter is not appropriate for a reasonable assurance engagement, it is also not appropriate for a limited assurance engagement, and vice versa. An appropriate underlying subject matter is identifiable and capable of consistent measurement or evaluation against the identified criteria such that the resulting subject matter information can be subjected to procedures for obtaining sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.

Criteria

42. Criteria are the benchmarks used to measure or evaluate the underlying subject matter. Criteria can be formal, for example in the preparation of financial statements, the criteria may be International Financial Reporting Standards or International Public Sector Accounting Standards; when reporting on the operating effectiveness of internal controls, the criteria may be based on an established internal control framework or individual control objectives specifically designed for the purpose; and when reporting on compliance, the criteria may be the applicable law, regulation or contract. Examples of less formal criteria are an internally developed code of conduct or an agreed level of performance (such as the number of times a particular committee is expected to meet in a year).
43. Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. Suitable criteria are context-sensitive, that is, relevant to the engagement circumstances. Even for the same underlying subject matter there can be different criteria, which will yield a different measurement or evaluation. For example, one of the criteria a measurer or evaluator might select as a measure of the underlying subject matter of customer satisfaction is the number of customer complaints resolved to the acknowledged satisfaction of the customer, while another measurer or evaluator might select the number of repeat purchases in the three months following the initial purchase. Further, criteria may be suitable for a particular set of engagement circumstances, but may not be suitable for a different set of engagement circumstances. For example, reporting to governments or regulators may require the use of a particular set of criteria, but these criteria may not be suitable for a broader group of users.
44. Suitable criteria exhibit the following characteristics:
- (a) **Relevance:** Relevant criteria result in subject matter information that assists decision-making by the intended users.
 - (b) **Completeness:** Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information. Complete criteria include, where relevant, benchmarks for presentation and disclosure.
 - (c) **Reliability:** Reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners.
 - (d) **Neutrality:** Neutral criteria result in subject matter information that is free from bias as appropriate in the engagement circumstances.
 - (e) **Understandability:** Understandable criteria result in subject matter information that can be understood by the intended users.
45. Vague descriptions of expectations or judgments of an individual's experiences do not constitute suitable criteria.

46. The relative importance of each of the above characteristics when assessing the suitability of criteria to a particular engagement is a matter of professional judgment. The suitability of criteria is not affected by the level of assurance, that is, if criteria are unsuitable for a reasonable assurance engagement, they are also unsuitable for a limited assurance engagement, and vice versa. Criteria may be prescribed by law or regulation, or issued by authorized or recognized bodies of experts that follow a transparent due process (established criteria). Other criteria may be specifically developed for the purpose of preparing the subject matter information in the particular circumstances of the engagement. Whether criteria are established or specifically developed affects the work needed to assess their suitability for a particular engagement, for example, in the absence of indications to the contrary, established criteria are presumed to be suitable if they are relevant to the intended users' information needs.
47. Criteria need to be available to the intended users to allow them to understand how the underlying subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways:
- (a) Publicly.
 - (b) Through inclusion in a clear manner in the presentation of the subject matter information.
 - (c) Through inclusion in a clear manner in the assurance report.
 - (d) By general understanding, for example the criterion for measuring time in hours and minutes.
48. Criteria may also be available only to specific intended users, for example the terms of a contract, or criteria issued by an industry association that are available only to those in the industry because they are relevant only to a specific purpose (see also paragraph 38).
49. As part of the engagement, the practitioner determines whether the criteria are suitable.

Evidence

50. Assurance engagements are planned and performed with an attitude of professional skepticism to obtain sufficient appropriate evidence in the context of the engagement about the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria. Professional judgment needs to be exercised in considering materiality, engagement risk, and the quantity and quality of available evidence when planning and performing the engagement, in particular when determining the nature, timing and extent of procedures.

Professional Skepticism

51. Professional skepticism is an attitude that includes being alert to, for example:
- (a) Evidence that is inconsistent with other evidence obtained;
 - (b) Information that calls into question the reliability of documents and responses to inquiries to be used as evidence;
 - (c) Circumstances that suggest the need for procedures in addition to those required by relevant Assurance Standards; and
 - (d) Conditions that may indicate likely misstatement.
52. Maintaining professional skepticism throughout the engagement is necessary to, for example, reduce the risk of:
- Overlooking unusual circumstances;
 - Overgeneralizing when drawing conclusions from observations; and
 - Using inappropriate assumptions in determining the nature, timing and extent of procedures and evaluating the results thereof.

53. Professional skepticism is necessary to the critical assessment of evidence. This includes questioning inconsistent evidence and the reliability of documents and responses to inquiries. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the circumstances.
54. Unless the engagement involves assurance about whether documents are genuine, records and documents may be accepted as genuine unless the practitioner has reason to believe the contrary. Nevertheless, the practitioner considers the reliability of information to be used as evidence.
55. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional skepticism.

Professional Judgment

56. Professional judgment is essential to the proper conduct of an assurance engagement. This is because interpretation of relevant ethical requirements and relevant Assurance Standards and the informed decisions required throughout the engagement cannot be made without the application of relevant training, knowledge and experience to the facts and circumstances. Professional judgment is necessary in particular regarding decisions about:
 - Materiality and engagement risk.
 - The nature, timing and extent of procedures used to meet the requirements of relevant Assurance Standards and obtain evidence.
 - Evaluating whether sufficient appropriate evidence has been obtained, and whether more needs to be done to achieve the objectives of relevant Assurance Standards. In particular, in the case of a limited assurance engagement, professional judgment is required in evaluating whether a meaningful level of assurance has been obtained.
 - In the case of a direct engagement, applying the criteria to the underlying subject matter, and if the practitioner selects or develops the criteria, selecting or developing them. In the case of an attestation engagement, evaluating such judgments made by others.
 - The appropriate conclusions to draw based on the evidence obtained.
57. The distinguishing feature of the professional judgment expected of a practitioner is that it is exercised by a practitioner whose training, knowledge and experience have assisted in developing the necessary competencies to achieve reasonable judgments.
58. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the practitioner. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm assist the practitioner in making informed and reasonable judgments.
59. Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of assurance and measurement or evaluation principles and is appropriate in the light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner's assurance report.
60. Professional judgment needs to be exercised throughout the engagement. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement or sufficient appropriate evidence.

Sufficiency and Appropriateness of Evidence

61. The sufficiency and appropriateness of evidence are interrelated. Sufficiency is the measure of the quantity of evidence. The quantity of evidence needed is affected by the

risks of the subject matter information being materially misstated (the higher the risks, the more evidence is likely to be required) and also by the quality of such evidence (the higher the quality, the less may be required). Obtaining more evidence, however, may not compensate for its poor quality (see also paragraphs 81–82).

62. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability in providing support for the practitioner’s conclusion.
63. The reliability of evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of evidence can be made; however, such generalizations are subject to important exceptions. Even when evidence is obtained from external sources, circumstances may exist that could affect its reliability. For example, evidence obtained from an external source may not be reliable if the source is not knowledgeable or objective. While recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful:
- Evidence is more reliable when it is obtained from sources outside the appropriate party(ies).
 - Evidence that is generated internally is more reliable when the related controls are effective.
 - Evidence obtained directly by the practitioner (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).
 - Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (for example, a contemporaneously written record of a meeting is ordinarily more reliable than a subsequent oral representation of what was discussed).
64. More assurance is ordinarily obtained from consistent evidence obtained from different sources or of a different nature than from items of evidence considered individually. In addition, obtaining evidence from different sources or of a different nature may either corroborate other evidence or indicate that an individual item of evidence is not reliable. When evidence obtained from one source is inconsistent with that obtained from another, it is necessary to determine what additional procedures are needed to resolve the inconsistency.
65. In terms of obtaining sufficient appropriate evidence, it is generally more difficult to obtain assurance about subject matter information covering a period than about subject matter information at a point in time. In addition, conclusions provided on processes ordinarily are limited to the period covered by the engagement; the practitioner provides no conclusion about whether the process will continue to function in the specified manner in the future.
66. Whether sufficient appropriate evidence has been obtained on which to base the practitioner’s conclusion is a matter of professional judgment, which involves considering the relationship between the cost of obtaining evidence and the usefulness of the information obtained. The practitioner uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.

Materiality

67. Materiality is relevant when planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures, and when evaluating whether the subject matter information is free of misstatement. Professional judgments about materiality are made in light of surrounding circumstances, but are not affected by the level of assurance, that is, for the same intended users and purpose, materiality for a reasonable assurance engagement is the same as for a limited assurance engagement because materiality is based on the information needs of intended users.

68. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users taken on the basis of the subject matter information. The practitioner's consideration of materiality is a matter of professional judgment, and is affected by the practitioner's perception of the common information needs of intended users as a group. Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.
69. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative and quantitative factors when considering materiality in a particular engagement is a matter for professional judgment.
70. Materiality relates to the information covered by the practitioner's assurance report. Therefore, when the engagement covers some, but not all aspects of the subject matter information, materiality is considered in relation to only that portion of the subject matter information that is covered by the engagement.

Engagement Risk

71. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. This occurs when the subject matter information does not properly reflect the application of the criteria to measure or evaluate the underlying subject matter.
72. Engagement risk is the risk that the practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated. Engagement risk does not refer to or include the practitioner's business risks, such as loss from litigation, adverse publicity, or other events arising in connection with particular subject matter information.
73. Reducing engagement risk to zero is very rarely attainable or cost beneficial and, therefore, "reasonable assurance" is less than absolute assurance, as a result of factors such as the following:
- The use of selective testing.
 - The inherent limitations of internal control.
 - The fact that much of the evidence available to the practitioner is persuasive rather than conclusive.
 - The use of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence.
 - In some cases, the characteristics of the underlying subject matter when measured or evaluated against the criteria.
74. In general, engagement risk can be represented by the following components, although not all of these components will necessarily be present or significant for all assurance engagements:
- (a) Risks that the practitioner does not directly influence, which in turn consist of:
 - (i) The susceptibility of the subject matter information to a material misstatement before consideration of any related controls applied by the appropriate party(ies) (inherent risk); and
 - (ii) The risk that a material misstatement that occurs in the subject matter information will not be prevented, or detected and corrected, on a timely basis by the appropriate party(ies)'s internal control (control risk); and
 - (b) Risks that the practitioner does directly influence, which, in turn, consist of:
 - (i) The risk that the procedures performed by the practitioner will not detect a material misstatement (detection risk); and

- (ii) In the case of a direct engagement, the risks associated with the practitioner's measurement or evaluation of the underlying subject matter against the criteria (measurement or evaluation risk).

75. The degree to which each of these components is relevant to the engagement is affected by the engagement circumstances, in particular:

- The nature of the underlying subject matter and the subject matter information. For example, the concept of control risk may be more useful when the underlying subject matter relates to the preparation of information about an entity's performance than when it relates to information about the effectiveness of a control or the existence of a physical condition.
- Whether a reasonable assurance or a limited assurance engagement is being performed. For example, in limited assurance engagements the practitioner may often decide to obtain evidence by means other than testing of controls, in which case consideration of control risk may be less relevant than in a reasonable assurance engagement on the same subject matter information.
- Whether it is a direct engagement or an attestation engagement. While the concept of control risk is relevant to attestation engagements, the broader concept of measurement or evaluation risk is more relevant to direct engagements.

The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.

Nature, Timing and Extent of Procedures

76. A combination of procedures is typically used to obtain either reasonable assurance or limited assurance. Procedures may include:

- Inspection;
- Observation;
- Confirmation;
- Re-calculation;
- Re-performance;
- Analytical procedures; and
- Inquiry.

The exact nature, timing and extent of procedures will vary from one engagement to the next. For many assurance engagements, infinite variations in procedures are possible in theory. In practice, however, these are difficult to communicate clearly and unambiguously.

77. Both reasonable assurance and limited assurance engagements require the application of assurance skills and techniques and the gathering of sufficient appropriate evidence as part of an iterative, systematic engagement process that includes obtaining an understanding of the underlying subject matter and other engagement circumstances.

78. A reasonable assurance engagement involves:

- (a) Based on an understanding of the underlying subject matter and other engagement circumstances, identifying and assessing the risks of material misstatement in the subject matter information;
- (b) Designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner's conclusion; and
- (c) Evaluating the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary in the circumstances, attempting to obtain further evidence.

79. The nature, timing and extent of procedures for gathering sufficient appropriate evidence in a limited assurance engagement are limited relative to a reasonable assurance

engagement. An underlying subject matter-specific Assurance Standard may establish that, for example, sufficient appropriate evidence for a particular type of limited assurance engagement is obtained primarily through analytical procedures and inquiries. In the absence of underlying subject matter-specific Assurance Standards for other types of limited assurance engagements, however, the procedures for gathering sufficient appropriate evidence may or may not primarily be analytical procedures and inquiries and will vary with the circumstances of the engagement, in particular, the underlying subject matter, and the information needs of the intended users and the engaging party, including relevant time and cost constraints. Determining the nature, timing and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.

80. A limited assurance engagement involves:
- (a) Based on an understanding of the underlying subject matter and other engagement circumstances, identifying areas where a material misstatement of the subject matter information is likely to arise;
 - (b) Designing and performing procedures to address those areas and to obtain limited assurance to support the practitioner's conclusion; and
 - (c) If the practitioner becomes aware of a matter(s) that causes the practitioner to believe the subject matter information may be materially misstated, designing and performing additional procedures to obtain further evidence.

Quantity and Quality of Available Evidence

81. The quantity or quality of available evidence is affected by:
- (a) The characteristics of the underlying subject matter and subject matter information. For example, less objective evidence might be expected when the subject matter information is future oriented rather than historical (see paragraph 40); and
 - (b) Other circumstances such as when evidence that could reasonably be expected to exist is not available because of, for example, the timing of the practitioner's appointment, an entity's document retention policy, inadequate information systems, or a restriction imposed by the responsible party.

Ordinarily, available evidence will be persuasive rather than conclusive.

82. An unmodified conclusion is not appropriate for either a reasonable assurance or a limited assurance engagement when:
- (a) Circumstances prevent the practitioner from obtaining evidence required to reduce engagement risk to the appropriate level; or
 - (b) A party to the engagement imposes a restriction that prevents the practitioner from obtaining evidence required to reduce engagement risk to the appropriate level.

Assurance Report

83. The practitioner forms a conclusion on the basis of the evidence obtained, and provides a written report containing a clear expression of that assurance conclusion about the subject matter information. Assurance Standards establish basic elements for assurance reports.
84. In a reasonable assurance engagement, the practitioner's conclusion is expressed in the positive form that conveys the practitioner's opinion on the outcome of the measurement or evaluation of the underlying subject matter.
85. Examples of conclusions expressed in a form appropriate for a reasonable assurance engagement include:
- When expressed in terms of the underlying subject matter and the applicable criteria, "In our opinion, the entity has complied, in all material respects, with XYZ law;"
 - When expressed in terms of the subject matter information and the applicable criteria, "In our opinion, the financial statements present fairly, in all material

respects, the financial position of the entity as at [date] and its financial performance and its cash flows for the year then ended in accordance with XYZ framework;" or

- When expressed in terms of a statement made by the appropriate party, "In our opinion, the [appropriate party's] statement that the entity has complied with XYZ law is, in all material respects, fairly stated," or "In our opinion, the [appropriate party's] statement that the key performance indicators are presented in accordance with XYZ criteria is, in all material respects, fairly stated."

In a direct engagement, the practitioner's conclusion is phrased in terms of the underlying subject matter and the criteria.

86. In a limited assurance engagement, the practitioner's conclusion is expressed in a form that conveys whether, based on the engagement performed, a matter(s) has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated, for example, "Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the entity has not complied, in all material respects, with XYZ law."
87. The practitioner may choose a "short-form" or "long-form" style of reporting to facilitate effective communication to the intended users. "Short-form" reports ordinarily include only the basic elements. "Long-form" reports include other information and explanations that are not intended to affect the practitioner's conclusion. As well as the basic elements, long-form reports may describe in detail the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, disclosure of materiality levels, and, in some cases, recommendations. Whether to include any such information depends on its significance to the information needs of the intended users.
88. The practitioner's conclusion is clearly separated from information or explanations that are not intended to affect the practitioner's conclusion, including any Emphasis of Matter, Other Matter, findings related to particular aspects of the engagement, recommendations or additional information included in the assurance report. The wording used makes it clear that an Emphasis of Matter, Other Matter, findings, recommendations or additional information is not intended to detract from the practitioner's conclusion.
89. The practitioner expresses a modified conclusion in the following circumstances:
- (a) When, in the practitioner's professional judgment, a scope limitation exists and the effect of the matter may be material. In such cases, the practitioner expresses a qualified conclusion or a disclaimer of conclusion. In some cases, the practitioner considers withdrawing from the engagement.
 - (b) When, in the practitioner's professional judgment, the subject matter information is materially misstated. In such cases, the practitioner expresses a qualified conclusion or adverse conclusion. In those direct engagements where the subject matter information is the practitioner's conclusion, and the practitioner concludes that some or all of the underlying subject matter does not, in all material respects, conform with the criteria, such a conclusion would also be considered to be qualified (or adverse as appropriate).
90. A qualified conclusion is expressed when the effects, or possible effects, of a matter are not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion.
91. If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the practitioner discusses the matter with the appropriate party(ies), and determines:
- (a) Whether the matter can be resolved to the practitioner's satisfaction;
 - (b) Whether it is appropriate to continue with the engagement; and
 - (c) Whether and, if so, how to communicate the matter in the assurance report.

92. If it is discovered after the engagement has been accepted that some or all of the criteria are unsuitable or some or all of the underlying subject matter is not appropriate for an assurance engagement, the practitioner considers withdrawing from the engagement, if withdrawal is possible under applicable law or regulation. If the practitioner continues with the engagement, the practitioner expresses:
- (a) A qualified conclusion or adverse conclusion depending on how material and pervasive the matter is, when, in the practitioner's professional judgment, the unsuitable criteria or inappropriate underlying subject matter is likely to mislead the intended users; or
 - (b) A qualified conclusion or a disclaimer of conclusion depending on, in the practitioner's professional judgment, how material and pervasive the matter is, in other cases.

Other Matters

Other Communication Responsibilities

93. The practitioner considers whether, pursuant to the terms of the engagement and other engagement circumstances, any matter has come to the attention of the practitioner that is to be communicated with the responsible party, the measurer or evaluator, the engaging party, those charged with governance or others.

Documentation

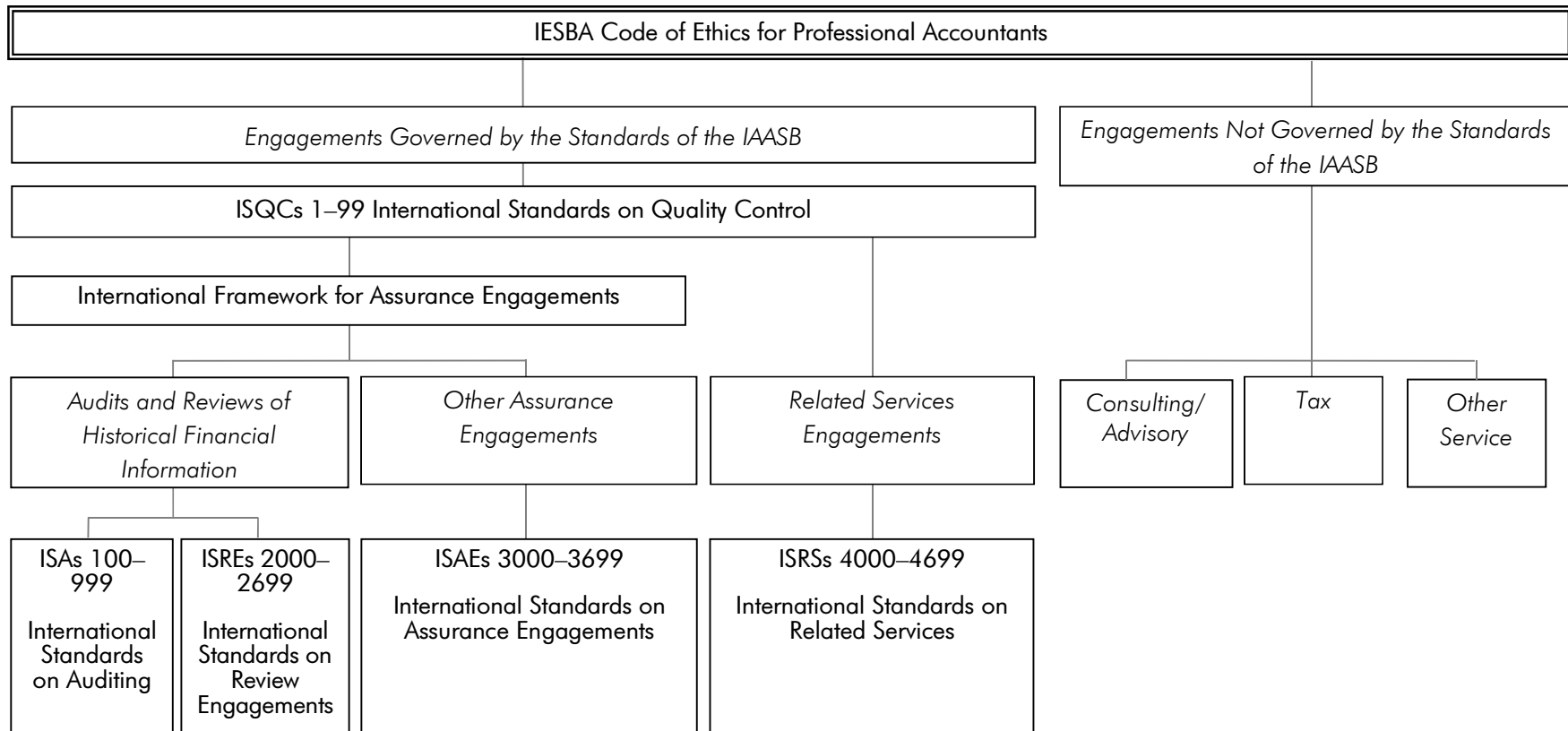
94. Engagement documentation provides a record of the basis for the assurance report when it is prepared on a timely basis and is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand:
- (a) The nature, timing and extent of the procedures performed to comply with relevant Assurance Standards and applicable legal and regulatory requirements;
 - (b) The results of the procedures performed, and the evidence obtained; and
 - (c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
95. Engagement documentation includes how the practitioner addressed any inconsistency between information identified by the practitioner and the practitioner's final conclusion regarding a significant matter.

Inappropriate Use of the Practitioner's Name

96. A practitioner is associated with an underlying subject matter, or with the related subject matter information, when the practitioner reports on information about that underlying subject matter or consents to the use of the practitioner's name in a professional connection with that underlying subject matter, or with the related subject matter information. If the practitioner is not associated in this manner, third parties can assume no responsibility of the practitioner. If the practitioner learns that a party is inappropriately using the practitioner's name in association with an underlying subject matter, or with the related subject matter information, the practitioner requires the party to cease doing so. The practitioner also considers what other steps may be needed, such as informing any known third party users of the inappropriate use of the practitioner's name or seeking legal advice.

Pronouncements Issued by the IAASB, and Their Relationship to Each Other and the IESBA Code

This Appendix illustrates the ambit of pronouncements issued by the IAASB, and their relationship to each other and to the IESBA Code of Ethics for Professional Accountants.

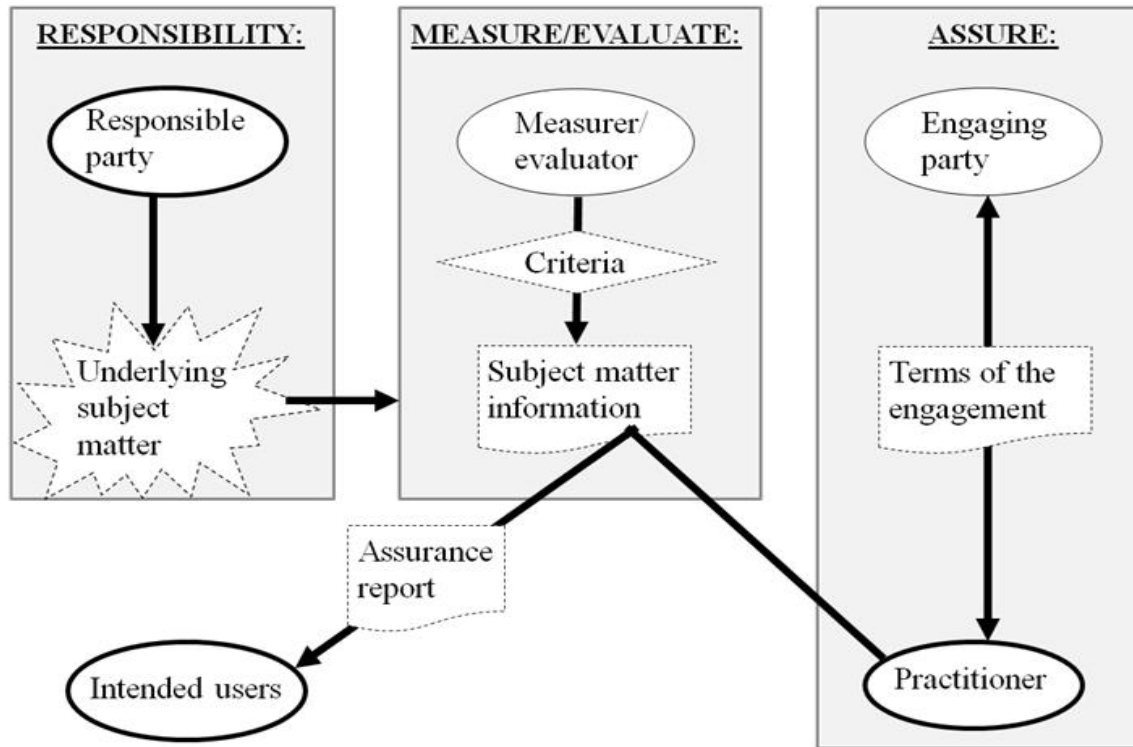


Attestation Engagements and Direct Engagements

This Appendix outlines the differences between an attestation engagement and a direct engagement.

1. In an attestation engagement, the measurer or evaluator, who is not the practitioner, measures or evaluates the underlying subject matter against the criteria, the outcome of which is the subject matter information. Subject matter information can fail to be properly expressed in the context of the underlying subject matter and the criteria, and can therefore be misstated, potentially to a material extent. The role of the practitioner in an attestation engagement is to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information, as prepared by the measurer or evaluator, is free from material misstatement.
2. In a direct engagement, the practitioner measures or evaluates the underlying subject matter against the criteria and presents the resulting subject matter information as part of, or accompanying the assurance report. The practitioner's conclusion in a direct engagement addresses the reported outcome of the measurement or evaluation of the underlying subject matter against the criteria. In some direct engagements, the practitioner's conclusion is, or is part of, the subject matter information. Depending on the underlying subject matter:
 - (a) The outcome of the measurement or evaluation in a direct engagement may be similar to a report or statement prepared by the measurer or evaluator in an attestation engagement. In other circumstances, however, the outcome, that is, the subject matter information, may be reflected in the description of the findings and basis for the practitioner's conclusion in a long-form assurance report; and
 - (b) The practitioner may use data collected or compiled by others. For example, the data may come from an information system maintained by the responsible party.
3. In addition to measuring or evaluating the underlying subject matter, in a direct engagement the practitioner also applies assurance skills and techniques to obtain sufficient appropriate evidence in order to express a conclusion about whether the subject matter information is materially misstated. The practitioner may obtain that evidence simultaneously with the measurement or evaluation of the underlying subject matter, but may also obtain it before or after such measurement or evaluation.
4. The value of a direct engagement lies in the combination of:
 - (a) The independence of the practitioner from the underlying subject matter, the engaging party, intended users and the responsible party, notwithstanding that the practitioner is not independent of the subject matter information because the practitioner prepared the subject matter information; and
 - (b) The assurance skills and techniques applied when measuring or evaluating the underlying subject matter, which results in the accumulation of evidence that is of a similar quantity and quality as for an attestation engagement. It is this obtaining of sufficient appropriate evidence that distinguishes a direct engagement from a mere compilation. To illustrate this point, if a practitioner were compiling an entity's greenhouse gas statement, the practitioner would not, for example, test the calibration of monitoring devices. In a direct engagement, however, the practitioner would, where relevant, either calibrate monitoring devices as part of the measurement process, or test the calibration of monitoring devices performed by others to the same extent as would be the case if the engagement were an attestation engagement.

The Parties to an Assurance Engagement



1. All assurance engagements have at least three parties: the responsible party, the practitioner, and the intended users. Depending on the engagement circumstances, there may also be a separate role of measurer or evaluator, or engaging party.
2. The above diagram illustrates how the following roles relate to an assurance engagement:
 - (a) The responsible party is responsible for the underlying subject matter.
 - (b) The measurer or evaluator uses the criteria to measure or evaluate the underlying subject matter resulting in the subject matter information.
 - (c) The engaging party agrees the terms of the engagement with the practitioner.
 - (d) The practitioner obtains sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information.
 - (e) The intended users make decisions on the basis of the subject matter information. The intended users are the individual(s) or organization(s), or group(s) thereof that the practitioner expects will use the assurance report. In some cases, there may be intended users other than those to whom the assurance report is addressed.
3. The following observations can be made about these roles:
 - Every assurance engagement has at least a responsible party and intended users, in addition to the practitioner.
 - The practitioner cannot be the responsible party, the engaging party or an intended user.
 - In a direct engagement, the practitioner is also the measurer or evaluator.
 - In an attestation engagement, the responsible party, or someone else, but not the practitioner, can be the measurer or evaluator.

- Where the practitioner has measured or evaluated the underlying subject matter against the criteria, the engagement is a direct engagement. The character of that engagement cannot be changed to an attestation engagement by another party assuming responsibility for the measurement or evaluation, for example, by the responsible party attaching a statement to the subject matter information accepting responsibility for it.
 - The responsible party can be the engaging party.
 - In many attestation engagements the responsible party may also be the measurer or evaluator, and the engaging party. An example is when an entity engages a practitioner to perform an assurance engagement regarding a report it has prepared about its own sustainability practices. An example of when the responsible party is different from the measurer or evaluator is when the practitioner is engaged to perform an assurance engagement regarding a report prepared by a government organization about a private company's sustainability practices.
 - In an attestation engagement, the measurer or evaluator ordinarily provides the practitioner with a written representation about the subject matter information. In some cases, the practitioner may not be able to obtain such a representation, for example, when the engaging party is not the measurer or evaluator.
 - The responsible party can be one of the intended users, but not the only one.
 - The responsible party, the measurer or evaluator, and the intended users may be from different entities or the same entity. As an example of the latter case, in a two-tier board structure, the supervisory board may seek assurance about information provided by the executive board of that entity. The relationship between the responsible party, the measurer or evaluator, and the intended users needs to be viewed within the context of a specific engagement and may differ from more traditionally defined lines of responsibility. For example, an entity's senior management (an intended user) may engage a practitioner to perform an assurance engagement on a particular aspect of the entity's activities that is the immediate responsibility of a lower level of management (the responsible party), but for which senior management is ultimately responsible.
 - An engaging party that is not also the responsible party can be the intended user.
4. The practitioner's conclusion may be phrased either in terms of:
- The underlying subject matter and the applicable criteria;
 - The subject matter information and the applicable criteria; or
 - A statement made by the appropriate party.
5. The practitioner and the responsible party may agree to apply the principles of the Assurance Standards to an engagement when there are no intended users other than the responsible party but where all other requirements of the Assurance Standards are met. In such cases, the practitioner's report includes a statement restricting the use of the report to the responsible party.

Categorization of Underlying Subject Matters

The table below shows a categorization of the range of possible underlying subject matters with some examples. For some categories no example is given because it is unlikely that assurance engagements with respect to information in these categories would be undertaken. The categorization is not necessarily complete, the categories are not necessarily mutually exclusive, and some underlying subject matter or subject matter information may have components in more than one category, for example, integrated reporting and corporate social responsibility reporting will likely have both historical and future-oriented information and both financial and non-financial information. Also, in some cases, the examples are the subject matter information, in other cases they are the underlying subject matter or merely an indication of the type of question that information could assist with, whichever is more meaningful in the circumstances.

Information about:		Historical Information	Future Oriented Information
Financial	Performance	Financial Statements prepared in accordance with an acceptable financial reporting framework	<ul style="list-style-type: none"> Forecast/projected cash flow
	Position		<ul style="list-style-type: none"> Forecast/projected financial position
Non-Financial	Performance Use of Resources/ Value for Money	<ul style="list-style-type: none"> Greenhouse Gas Statement Sustainability Report KPIs Statement on effective use of resources Statement on Value for Money Corporate social responsibility reporting 	<ul style="list-style-type: none"> Expected emissions reductions attributable to a new technology, or Greenhouse Gases to be captured by planting trees Statement that a proposed action will provide value for money
	Condition	<ul style="list-style-type: none"> Description of a system/process as implemented at a point in time Physical characteristics, for example, the size of leased property 	
System/ Process	Description	<ul style="list-style-type: none"> The description of a system of internal control 	
	Design	<ul style="list-style-type: none"> The design of controls at a service organization 	<ul style="list-style-type: none"> The design of proposed controls for a forthcoming production process
	Operation/ Performance	<ul style="list-style-type: none"> The operating effectiveness of procedures for hiring and training 	

Information about:		Historical Information	Future Oriented Information
		staff	
Aspects of Behavior	Compliance	<ul style="list-style-type: none"> An entity's compliance with, for example, loan covenants, or specific legal or regulatory requirements 	
	Human Behavior	<ul style="list-style-type: none"> Evaluation of audit committee effectiveness 	
	Other	<ul style="list-style-type: none"> The fitness for purpose of a software package 	



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