



**Sent electronically through the IAASB Website (www.iaasb.org)**

1 September 2011

Our Ref.: C/AASC

Executive Director, Professional Standards  
International Auditing and Assurance Standards Board,  
International Federation of Accountants,  
545 Fifth Avenue, 14<sup>th</sup> Floor,  
New York 10017, USA.

Dear Sir,

**IAASB Proposed International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Proposed Consequential Amendments for**

- **International Framework for Assurance Engagements**
- **ISAE 3402 Assurance Reports on Controls at a Service Organization**
- **Exposure Draft of Proposed ISAE 3410 Assurance Engagements on Greenhouse Gas Statements**

The Hong Kong Institute of Certified Public Accountants is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong.

We welcome the opportunity to provide you with our comments on the captioned IAASB ED on ISAE 3000 and other consequential amendments.

We trust that our comments are of assistance to you. If you require any clarifications on our comments, please do not hesitate to contact me at [ong@hkiipa.org.hk](mailto:ong@hkiipa.org.hk).

Yours faithfully,

Steve Ong, FCPA, FCA  
Director, Standard Setting Department

SO/SH/jn

Encl.



**ATTACHMENT**

**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON  
THE IAASB PROPOSED INTERNATIONAL STANDARD ON ASSURANCE  
ENGAGEMENTS 3000 (REVISED) ASSURANCE ENGAGEMENT OTHER THAN  
AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION AND OTHER  
PROPOSED CONSEQUENTIAL AMENDMENTS**

**Request for Specific Comments**

- 1. Do respondents believe that the nature and extent of requirements in proposed ISAE 3000 would enable consistent high quality assurance engagements while being sufficiently flexible given the broad range of engagements to which proposed ISAE 3000 will apply?**

In general, we agree that ISAE 3000 is a principle-based standard capable of being applied effectively to a broad range of underlying subject matters.

- 2. With respect to levels of assurance:**

- (a) Does proposed ISAE 3000 properly define, and explain the difference between, reasonable assurance engagements and limited assurance engagements?**

We believe that the proposed ISAE 3000 is clear in explaining the differences between reasonable assurance engagements and limited assurance engagements.

- (b) Are the requirements and other material in proposed ISAE 3000 appropriate to both reasonable assurance engagements and limited assurance engagements?**

In general, the requirements and other material in the proposed ISAE are appropriate to both reasonable assurance engagements and limited assurance engagements.

- (c) Should the proposed ISAE 3000 require, for limited assurance, the practitioner to obtain an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances?**

In general, we agree that for limited assurance, the depth of understanding of internal control over the preparation of the subject matter information would be lesser than that for reasonable assurance. However, we believe that it is essential for practitioners to have some form of understanding in order to achieve the objectives of the engagement even for limited assurance. In this regard, we consider that paragraphs 37 and A93 should be revised to reflect this rather than implying that for limited assurance engagements, it is often not the case to obtain an understanding of internal controls over the preparation of the subject matter information.

**3. With respect to attestation and direct engagements:**

- (a) Do respondents agree with the proposed changes in terminology from "assurance-based engagements" to "attestation engagements" as well as those from "direct-reporting engagements" to "direct engagements" ?**

We found the concept of "direct engagement" very confusing. As we suspect that most readers may not be familiar with the concept, we would suggest that the IAASB further clarifies and provide examples of such engagement. In addition, we would recommend the IAASB to develop illustrative reports (including those with modifications) to improve consistency of presentation. We also question whether, if it is a very specialized or rare instance, whether it needs so much prominence in the standard.

- (b) Does proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?**

See comments in (a) above. It is recommended that further guidance is provided to explain the differences between direct engagements and attestation engagements with examples.

- (c) Are the objectives, requirements and other material in the proposed ISAE 3000 appropriate to both direct engagements and attestation engagements? In particular:**

- (i) In a direct engagement when the practitioner's conclusion is the subject matter information, do respondents believe that the practitioner's objective in paragraph 6(a) (that is, to obtain either reasonable assurance or limited assurance about whether the subject matter information is free of material misstatement) is appropriate in light of the definition of a misstatement (see paragraph 8(n))?**

Subject to our above comment that there should be further guidance provided to explain the difference between direct engagement and attestation engagements with examples, we believe that the objective in paragraph 6(a) is appropriate.

- (ii) In some direct engagements the practitioner may select or develop the applicable criteria. Do respondents believe the requirements and guidance in proposed ISAE 3000 appropriately address such circumstances?**

The respective requirements for direct engagements and attestation engagements should be clearly set out in the "Requirements". We would suggest that the IAASB develops additional guidance on the appropriate procedures when undertaking direct engagements.



**4. With respect to describing the practitioner's procedures in the assurance report:**

**(a) Is the requirement to include a summary of the work performed as the basis for the practitioner's conclusion appropriate?**

We agree with this proposal to include a summary of work performed as the basis for the practitioner's conclusion. A summary of work performed in the practitioner's report would be useful to provide users with a better understanding of the work undertaken which formed the basis for the practitioner's conclusion.

**(b) Is the requirement, in the case of limited assurance engagements, to state that the practitioner's procedures are more limited than for a reasonable assurance engagement and consequently they do not enable the practitioner to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement, appropriate?**

We believe that it is necessary to state the "limitation" of a limited assurance engagements as compared to a reasonable assurance engagement in order for users to understand the work performed.

**(c) Should further requirements or guidance be included regarding the level of detail needed for the summary of the practitioner's procedures in a limited assurance engagement?**

We would suggest that the IAASB clarifies the guidance in paragraph A152 where it is stated that "the summary of work performed is ordinarily more detailed than for a reasonable assurance engagement and identifies the limitations on the nature, timing, and extent of procedures".

We are of the view that unlike engagements conducted in accordance with the ISAs, both reasonable assurance engagements and limited assurance engagements under the proposed ISAE 3000 may not have specific ISAE providing guidance on procedures. Hence, the summary of work done is important and useful to readers in understanding the work performed. There should not be a difference in the level of details based on types of assurance given.

**5. Do respondents believe that the form of the practitioner's conclusion in a limited assurance engagement (that is, "based on the procedures performed, nothing has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated") communicates adequately the assurance obtained by the practitioner?**

We believe that the conclusion is appropriate as it is commonly understood by users who are familiar with such engagements. We would however still recommend the IAASB to produce educational materials to educate new users of the key differences between a reasonable assurance engagement and a limited assurance engagement.



**6. With respect to those applying the standard:**

**(a) Do respondents agree with the approach taken in proposed ISAE 3000 regarding application of the standard by competent practitioners other than professional accountants in public practice?**

In principle, we agree that with the approach proposed regarding application of the standard by competent practitioners other than professional accountants in public practice. To ensure consistency in the application of the standard, the IAASB could consider including public sector auditors only given that the ISAE is premised on the two requirements set out in 2(a) and (b) of the ED.

We would suggest that the IAASB considers including guidance specific for these other practitioners which is similar to the approach taken for the clarified ISAs.

**(b) Do respondents agree with proposed definition of "practitioner" ?**

We agree with the definition.

**Other Comments**

**7. Overall structure of the IAASB's standards**

The intent of the proposed ISAE 3000 is for it to be principle-based and it is expected to be applied to assurance engagements other than audits and reviews of historical financial information. However, we note that much of the content of ISAE 3000 would be equally relevant for inclusion in the Framework Statement which covers all assurance engagements. For example, the Appendix to the proposed ISAE 3000 on pages 75 to 77 of the ED is duplicated and also appears as Appendix 4 to the Framework Statement on pages 114 to 115 of the ED.

We believe that the generic principle-based type content of the proposed ISAE 3000 would appear as part of the Framework Statement. The IAASB should also reconsider the status placed on the Framework Statement. We believe the Framework Statement should have an elevated mandatory status as it should contain the core principles to which the detailed specific standards on different subject matter should be aligned. We also note that despite the discussion on the different authority of the two statements included in pages 11 and 12 of the ED, the content of ISAE 3000 includes similar guidance to that included in the Framework Statement yet only ISAE 3000 guidance will be mandatory.

**8. Underlying subject matters**

Pages 116 and 117 to the ED provide a very useful matrix on the possible types of subject matter on which practitioners may be asked to provide assurance. The IAASB may wish to consider expanding it to also include references to the specific standards and guidance to provide a useful quick reference guide to practitioners.

~ END ~