Assurance Services

Mwamba

Overview

The International Framework for Assurance Engagements is provided under the International standards on assurance engagements (ISAE) issued by the International Auditing and Assurance Standards Board (IAASB). Assurance engagements include both (1) attestation engagements, in which a party other than the practitioner measures or evaluates the underlying subject matter against the criteria, and (2) direct engagements, in which the practitioner measures or evaluates the underlying subject matter against the criteria.

Not all engagements performed by practitioners are assurance engagements. Other frequently performed engagements that are not assurance engagements include:

(a) Engagements covered by International Standards on Related Services (ISRS), such as agreed-upon procedure and compilation engagements;

(b) The preparation of tax returns where no assurance conclusion is expressed; and

(c) Consulting (or advisory) engagements, such as management and tax consulting.

In conducting an assurance engagement, the objectives of the practitioner are:

(a) To obtain either reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement;

(b) To express a conclusion regarding the outcome of the measurement or evaluation of the underlying subject matter through a written report that conveys either a reasonable assurance or a limited assurance conclusion and describes the basis for the conclusion; and

(c) To communicate further as required by this ISAE and any other relevant ISAEs.

Definition

For purposes of ISAEs, an assurance engagement means—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 subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria). Each assurance engagement is classified on two dimensions:

Each assurance engagement is classified on two dimensions: Either a reasonable assurance engagement or a limited assurance engagement:

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1. (a) **Reasonable Assurance Engagement**—An assurance engagement in which 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.

1. (b). **Limited Assurance Engagement**—An assurance engagement in which 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.

2 (a) **Attestation Engagement**—An assurance engagement in which 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. In an attestation engagement, the practitioner's conclusion addresses whether the subject matter information is free from material misstatement.

2 (b) **Direct Engagement**— An assurance engagement in which the practitioner measures or evaluates the underlying subject matter against the applicable criteria and the practitioner presents the resulting subject matter information as part of, or accompanying, the assurance report. 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.

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The definition for assurance engagements shows that assurance services are independent professional services that aim to provide proper information to decision makers. The definition shows that assurance services include attestation services. An attestation service is a form of assurance service in which an attestation expert issues a report about the reliability of an assertion that is the responsibility of another party. An attestation service include; audits of historical financial statements, evaluation of the effectiveness of internal controls, evaluation of the effectiveness of IT control systems and other attestation services. The relationship between assurance services, attestation services is depicted by figure 1

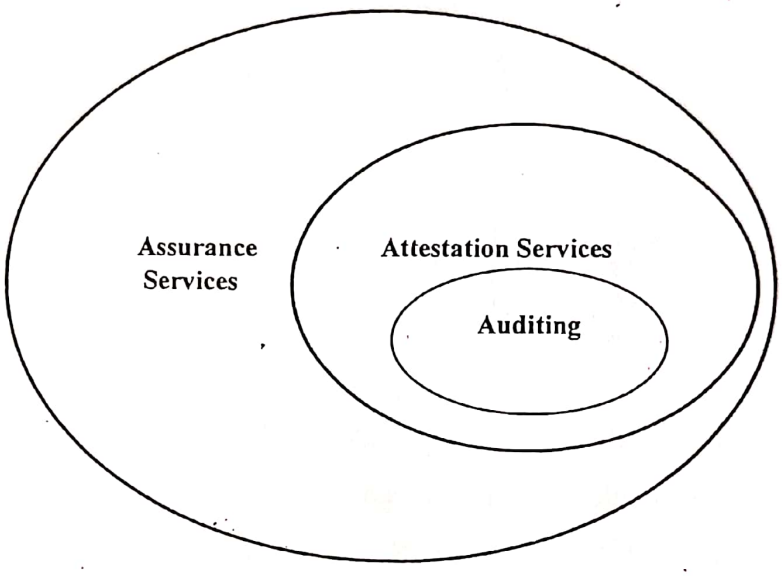

Figure 1. The Relationships among Auditing, Attestation, and Assurance Services

Although they are subsets of assurance services, attestation and auditing services are highly structured and intended to be useful for large groups of decision makers (e.g., investors, lenders and others). On the other hand, assurance services that are not attestation services tend to be more customized for the use of smaller, targeted groups of decision makers. For example, many organizations are using public accounting firms to conduct a comprehensive assessment of the risks that the enterprise faces. This type of risk assessment can then be used to show stakeholders that the management team understands and is properly managing the risks the enterprise faces.

Audits of historical financial statements are specific types of attestation. In an audit engagement the owners of the entity appoint a certified Public Accountant (CPA) to examine the financial statements that have been prepared by the management in order to give their professional opinion as whether such financial statements show a true and fair view.

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Categories of Assurance Engagements

The framework for assurance engagement indicates that assurance services can be classified into two main categories: (i) Attestation engagements and (ii) non-attestation engagements. This is illustrated in figure: 2

Assurance Services	
Attestation Engagements	Non- Attestation Engagement
Financial Statement Audits	Information-Risk Assurance
Financial Forecasts	Customer Satisfaction Survey
Effectiveness of Internal Control	Evaluation of IM* Policies
Cost/Benefit Analysis Reports	Internal Audit Outsourcing
Effectiveness of Internal Audit	

Figure 2: The framework for Assurance Engagements

* Investment Management

2. Elements of an assurance engagement

The following are the five elements of an assurance engagement:

(1) A three party relationship involving a practitioner, a responsible party, and intended users.

(2) Appropriate subject matter.

(3) Suitable criteria.

(4) Sufficient appropriate evidence.

(5) A Conclusion in the form of an opinion written in an assurance report conveying either a reasonable or a limited assurance.

A three party relationship involving a practitioner, a responsible party, and intended user or users

1.1 Assurance practitioner. An individual, firm, or other organisation, whether in public practice, industry and commerce, or the public sector conducting **assurance** engagements. This should be an independent person who evaluates a subject matter and express an opinion on whether (or not) the subject matter is materially misstated. The practitioner provides the assurance to the intended users about the subject matter information in an assurance report.

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Question. Who is an assurance practitioner in an audit engagement? **Answer** → the auditor (*Note*, this will depend on the type of audit engagement, e.g., internal or external audit). . **Question** Who is an assurance practitioner in an attestation engagement? **Answer → an attestation practitioner** (*Note*, this will depend on the type of attestation engagement).

1.2. The responsible party: This is a person or group of persons who is responsible for the subject matter or assertion. In a direct reporting engagement, he or she is responsible for the subject matter; or in an assertion-based engagement, he or she is responsible for the assertion. This may or may not be the party who engages the practitioner but it must acknowledge its responsibility for the subject matter to the practitioner. The responsible party ordinarily provides the practitioner with a written representation that evaluates or measures the subject matter against the identified criteria. **Question:** What is a subject matter in an audit of historical financial statements? Answer: the subject matter is all the financial statements **Question:** What is a subject matter in evaluating the effectiveness of internal control? **Answer** → the internal control process or an internal control system itself.

1.3. The intended users: These are, all those persons, other than responsible party, who seek assurance of practitioner. They may be individuals or body of persons or class of persons for whom the practitioner prepares the assurance report. In certain cases, the intended user and the responsible party may come from the same entity. For example, in audit engagements, the board of directors are the primary intended users (persons) because they usually seek assurance about the information provided in the financial statements by the management.

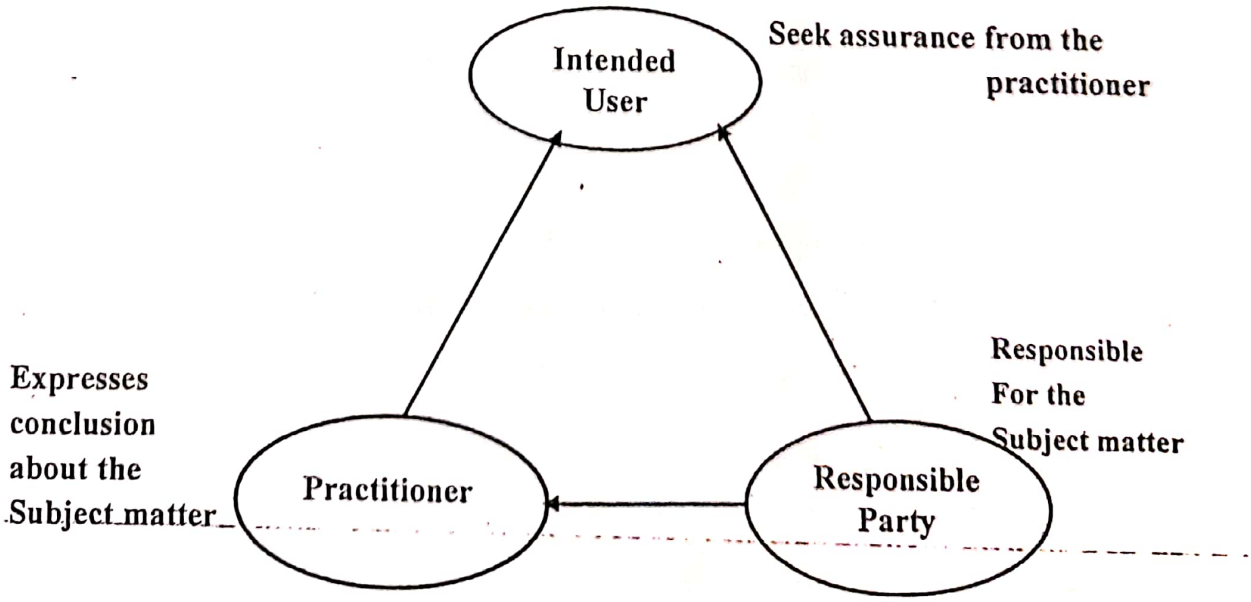

Figure 3. **A three party relationship in an assurance relationship.**

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2. An appropriate subject matter

The subject matter of an assurance engagement can take many forms, such as:

- Financial performance (for example, financial statements or business projections)
- Non-financial performance, for example the key indicators of efficiency and effectiveness.
- Physical characteristics, for example, the capacity of a facility.
- Systems and processes, for example, an entity's internal control or IT system
- Behaviour, for example, corporate governance, compliance with regulation.

Two conditions relating to the subject matter are important for an assurance engagement:

1. The subject matter must be identifiable and is capable of consistent evaluation against suitable criteria.
2. The subject matter must be in a form that can be subjected to evidence collection procedures to support the evaluation.

3 Suitable Criteria

Criteria are the benchmarks used to evaluate or measure the subject matter. For example:

– when reporting on financial statements, The International Financial Reporting Standards.

– when reporting on internal control, the criteria may be an established internal control framework.

– when reporting on compliance, the criteria may be the applicable law, regulation or contract.

Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. Suitable criteria exhibit the following characteristics: (i) Relevance, (ii) Completeness, (iii) Reliability, (iv) Neutrality (free from bias) and (v) Understandability (not subject to significantly different interpretations).

The evaluation or measurement of a subject matter on the basis of the practitioner's own expectations, judgments and individual experience would not constitute suitable criteria.

Criteria need to be available to the intended users to allow them to understand how the subject matter has been evaluated or measured. The person providing the assurance must have something by which to judge whether the information about a subject matter is reliable and can be trusted upon.

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For example, in an assurance engagement relating to audits of financial statements, the criteria would be (i) the requirements of the Companies Act (2002) and (ii) whether the financial statements have been prepared in accordance with the applicable financial reporting framework, such as IFRS. By using the suitable criteria, the practitioner will be able to verify whether the financial statements have been prepared in accordance with the suitable criteria, and if they have, then the practitioner can conclude that there is a degree of assurance that the financial statements shows a true and fair view and are therefore, reliable.

In the context of company behaviour, suitable criteria for the effectiveness of corporate governance might be the Companies Act 2002 and the Guidelines for Corporate Governance Practice (2002) issued under the Capita Markets and Securities Act (CMSA) 1994).

4. Sufficient appropriate evidence to support the assurance opinion

The assurance provider will seek to obtain sufficient appropriate evidence as the basis for supporting the assurance provided by him or her. He or she must substantiate the opinion that he or she draws in order that the user can have confidence that it is reliable. He or she must obtain evidence as to whether the criteria have been met. He or she needs to plan and performs an assurance engagement with an attitude of professional scepticism to obtain sufficient appropriate evidence about whether the subject matter information is free of material misstatement.

An attitude of professional skepticism means the practitioner questions the validity of evidence and is alert to evidence that brings into question the reliability of documents or representations. It does not mean that the practitioner assumes everyone is dishonest or that figures have been deliberately misrepresented. Nor does it mean that he or she believe all figures are statements are correct. It means the practitioner is aware that the subject matter may be subject to human error, giving quick answers because of short of time. It also recognises that sometimes people are deliberately misleading or dishonest.

Appropriateness is the measure of the quality of evidence - its relevance and its reliability. 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, e.g documentary evidence is better then oral, directly obtained evidence better then evidence provided by a client.

5. Assurance Report

The practitioner provides a written report containing a conclusion (usually an opinion).

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In **a reasonable assurance engagement** the practitioner's conclusion is **worded in the positive form,** for example: ***"In our opinion internal control is effective, in all material respects, based on XYZ criteria."*** ISA 315 COSO

In **a limited assurance engagement** the conclusion is worded in the negative form, for example, ***"Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control is not effective, in all material respects, based on XYZ criteria."***

To summarize the above formal definition, read through the following example to understand how assurance engagement is performed and how it enhances the confidence of users

Example 1 (*An audit Service*)

Board of Directors or Management (responsible party) of company A Ltd fulfilled its responsibility of evaluating its financial position, financial performance and changes in cash flows (these three aspects are in short the subject matter) by publishing financial statements in accordance with International Financial Reporting Standards (criteria) and the assets, liabilities etc. are recognized, measured, presented and disclosed in the financial statements (subject matter information) as per the requirements of IFRSs.

Practitioner (auditor) is appointed by the shareholders (intended party/users) to express his or her opinion (assurance) in the form of a report over the recognition, measurement, presentation and disclosures i.e. financial statements (subject matter information) made by the management (responsible party) are actually in accordance with IFRSs (criteria) and the actual financial position, performance and changes in cash flow (subject matter).

From the definition of assurance engagement and also from the above example we understood that not every engagement undertaken by the practitioner amounts to assurance engagement. For an engagement to be assurance engagement it must have the following FIVE essentials elements of assurance engagements):

1. **Existence of three party relationship which involves:**
   Practitioner; A responsible party and Intended users
2. **Subject matter**
3. **Criteria;**
4. **Sufficient appropriate evidence** collected as a result of examination

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5. **Expression of opinion** in the form of a written report.

Positive and negative assurance

Examples of Positive assurances

- The financial statements show a true and fair view
- The value of amount of inventory lost is TZS 200,000,000

Examples of Negative Assurances

- We have discovered nothing wrong with the financial statements
- The basis of the forecast is not unreasonable
- There is no evidence of discrimination in the appointment.

All statutory audits attempt to provide positive assurance ie the financial statements show a true and fair view. There are some types of assurance assignment where giving a positive assurance is not possible. For example, it would be impossible to give assurances that a budget is correct because it depends on so many assumptions and factors that cannot be verified with certainty, such as the state of the economy next year, competitors' plan and sales forecasts.

Positive assurance is also known as reasonable assurance because even there practitioners will only offer reasonable assurance that the financial statements are free of material misstatement.

Negative assurance is also known as limited assurance.

A practitioner would not express an unqualified conclusion for either type of assurance engagement when there is a limitation on the scope of the practitioner's work ie sufficient appropriate evidence cannot be obtained; or when the assertion is not fairly stated, and the subject matter information is materially misstated (ie the assertion is incorrect).

INTERACTIVE QUESTION ONE

You are a professional accountant who has been approached by Dr Jamal Katundu (Jamal), who wants to invest in Company X. He has asked you for assurance whether the most recent financial statements of Company X are a reliable basis for him to make his investment decision.

Required

Identify the key elements of an assurance engagement in this scenario, if you accepted the engagement.

Practitioner were
invited by Jamal
Subject matter for Company X

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ANSWER TO INTERACTIVE QUESTION ONE

1 Three party involvement:

- Jamal (the intended user)
- You (the practitioner)
- The directors of Company X as they produce the financial statements (the responsible party)

2 Subject matter

The most recent financial statements of Company X are the subject matter

3 Relevant criteria

It is most likely in this instance that the criteria would be accounting standards (i.e., IFRS), so that Jamal can be assured that the financial statements were properly prepared and comparable with other companies' financial statements

4 Evidence

You would have to agree the extent of procedures in relation to this assignment with Jamal so that he knew the level of evidence you were intending to seek. This would depend on several factors, including the degree of secrecy in the proposed transaction and whether the directors of Company X allowed you to inspect the books and documents

5 Reports

Again, the nature of the report would be agreed between you and Jamal

INTERACTIVE QUESTION TWO

The following are the five elements of an assurance engagement:

(1) A three party relationship involving a practitioner, a responsible party, and intended users.

(2) Appropriate subject matter.

(3) Suitable criteria.

(4) Sufficient appropriate evidence.

(5) A written assurance report in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

2.1 Three party relationship

A three party relationship involving a practitioner, a responsible party, and intended users:

- Practitioner: for example an auditor. The practitioner is responsible for determining the

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nature, timing and extent of procedures and is required to pursue anything that leads the practitioner to question whether a material modification should be made to the subject matter information.

- A responsible party: the person responsible for the information and assertions.
- The intended users are the person(s) for whom the practitioner prepares the assurance report. The responsible party can be one of the intended users.

2.2 Appropriate subject matter

The subject matter can take many forms, such as:

- Financial performance
- Non-financial performance, for example the key indicators of efficiency and effectiveness.
- Physical characteristics, for example, the capacity of a facility.
- Systems and processes, for example, an entity's internal control or IT system.
- Behaviour, for example, corporate governance, compliance with regulation..

2.3 Suitable Criteria

Criteria are the benchmarks used to evaluate or measure the subject matter.

For example:

- When reporting on financial statements, The International Financial Reporting Standards.
- When reporting on internal control, the criteria may be an established internal control Framework e.g (COSO), *Internal Control – Integrated Framework"*; ISA 315 *Conforming and Consequential Amendments to Other International Standards Arising from ISA 315 (Revised 2019)*
- When reporting on compliance, the criteria may be the applicable law, regulation or contract.

Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding.

4. Evidence

The practitioner plans and performs an assurance engagement with an attitude of professional scepticism to obtain sufficient appropriate evidence about whether the subject matter information is free of material misstatement. An attitude of professional scepticism

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means the practitioner questions the validity of evidence and is alert to evidence that brings into question the reliability of documents or representations.

Scepticism means that you don't know. It does not mean that the practitioner assumes everyone is dishonest or that figures have been deliberately misrepresented. Nor does it mean that you believe all figures are statements are correct. It means you are aware that we can all be subject to optimism (perhaps too much), human error, giving quick answers because we are short of time, misunderstanding. It also recognises that sometimes people are deliberately misleading or dishonest.

2.5 Assurance Report

The practitioner provides a written report containing a conclusion.

In a reasonable assurance engagement the practitioner's conclusion is worded in the positive form, for example: *"In our opinion internal control is effective, in all material respects, based on XYZ criteria."*

In a limited assurance engagement the conclusion is worded in the negative form, for example, *"Based on our work described in this report, nothing has come to our attention that causes us to believe that internal control is not effective, in all material respects, based on XYZ criteria."*

EXAM QUESTION ONE

(b) On 4th April, 2022, MV Virgin Butterfly PLC, a large listed company in Tanzania, is considering taking over Kisamo & Co., a small, family owned company in Moshi.

Ms Happiness Lema, the CEO of the Virgin Butterfly has asked the Bright Financial consultants, to review the financial statements of the last three years and provide their opinion on whether they have been prepared in accordance with the International Financial Reporting Standards.

The Virgin Butterfly also wants the Financial Consultants to review the budgets for the coming twelve months, from June 2022 to May 2023 and suggest whether they are reasonable and internally consistent

Required

(i) Identify the five elements of assurance services **(7 marks)**

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(ii) Identify two benefits that will be provided to MV Virgin Butterfly PLC **(2 marks)**

(Total Marks 9)

EXAM. SOLUTION ONE

(b) The five (5) elements of the assurance service are:

1. The three parties involved

   Practitioner: Bright Financial Consultants

   Responsible party: The directors/management of Kisamo & Co.

   Intended user: Virgin Buterfly PLC,

2. Subject matter: The financial statements for the last three years and the 12 months budgets

3. Criteria: -International Financial Reporting Standards (IFRS) and International Accounting. Standards (IAS) for financial statements and reasonably and internally consistent for budget

   -Budget guidelines

4. Bright Financial Consultants will plan and carry out their work to obtain sufficient appropriate evidence to support their assurance opinion

5. The opinion will be given by Bright Financial Consultants in a form of a written report

The benefit of this service to MV Virgin Butterfly PLC are that

1. They are given assurance that the financial statements are in line with IFRS and IAS, and therefore, are understandable and comparable with other companies they might be considering for takeover (Enhances the credibility of the information being reported on)

2. They are given assurance that the budgets are reasonable and internally consistent and therefore can be trusted as an indicator of the company's future operating ability.

3. They can therefore make an informed decision about whether to buy Kisamo & Co. and for how much.

Benefits of assurance

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1. They are given assurance that the financial statements are in line with IFRS and IAS, and therefore, are understandable and comparable with other companies they might be considering for takeover (Enhances the credibility of the information being reported on)

2. They are given assurance that the budgets are reasonable and internally consistent and therefore can be trusted as an indicator of the company's future operating ability.

3. They can therefore make an informed decision about whether to buy Kisamo & Co. and for how much.

(Total Marks 9)

EXAM. QUESTION TWO

Happiness Adventures Inc. (Happiness Adventures) provides scientific services to a wide range of clients. Typical assignments range from testing food for illegal additives to providing forensic analysis on items used to commit crimes to assist law enforcement officers.

The annual audit is nearly complete. As audit senior you have reported to the engagement partner that Happiness Adventures is having some financial difficulties. Income has fallen due to the adverse effect of two high-profile court cases, where Happiness Adventures' services to assist the prosecution were found to be in error.

Not only did this provide adverse publicity for Happiness Adventures, but a number of clients withdrew their contracts. A senior employee then left Happiness Adventures, stating lack of investment in new analysis machines was increasing the risk of incorrect information being provided by the company.

A cash flow forecast prepared internally shows Happiness Adventures requiring significant additional cash within the next 12 months to maintain even the current level of services. Happiness Adventures' auditors have been asked to provide a negative assurance report on this forecast.

Required:

In the context of the cash flow forecast, define the term 'negative assurance' and explain how this differs from the assurance provided by an audit report on statutory financial statements.

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EXAM. SOLUTION TWO

Negative assurance

Negative assurance means that nothing has come to the attention of an auditor which indicates that the cash flow forecast contains any material errors. The assurance is therefore given on the absence of any indication to the contrary.

In contrast, the audit report on statutory financial statements provides positive or reasonable assurance; that is the financial statements do show a true and fair view.

Using negative assurance, the auditor is warning users that the cash flow forecast may be inaccurate. Less reliance can therefore be placed on the forecast than the financial statements, where the positive assurance was given.

With negative assurance, the auditor is also warning that there were limited audit procedures that could be used; the cash flow relates to the future and therefore the auditor cannot obtain all the evidence to guarantee its accuracy.

Financial statements relate to the past, and so the auditor should be able to obtain the information to confirm they are correct; hence the use of positive assurance.

EXAM. QUESTION THREE

You are the senior in charge of the audit of Brampton Co for the year ending 31 January 2010 and are currently planning the year-end audit. Brampton specialises in the production of high quality bread of various kinds.

During the interim audit you noted that, in the present economic down-turn, the company has suffered as its costs are increasing and its prices have been higher than its competitors because of lower production runs. One indicator of the problems facing the company is that it has consistently used a bank overdraft facility to finance its activities. At the time of the interim audit you had discussed with company management what actions were being taken to improve the liquidity of the company and you were informed that the company plans to expand its facilities for producing white bread as this line had maintained its market share. The company has asked its bank for a loan to finance the expansion and also to maintain its working capital generally.

To support its request for a loan, the company has prepared a cash flow forecast for the two years from the end of the reporting period and the internal audit department has reported on the forecast to the board of directors. However, the bank has said it would like a report from

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the external auditors to confirm the accuracy of the forecast. Following this request the company has asked you to examine the cash flow forecast and then to report to the bank.

Required:

(d) Explain the kind of assurance you could give in the context of the request by the bank. (4 marks)

EXAM. SOLUTION THREE

You would inform management that it would not be possible to give a report on the accuracy of the cash flow forecast. The forecast is an assessment of cash flows in the future which is uncertain, particularly in the second year.

The bank should be informed that the kind of report that you could give is a limited assurance or negative assurance report.

You would be able to state in your report the kind of work you had carried out, the assumptions that management had made and then to give a negative form of assurance in which you would state, among other things, that nothing had come to your attention that would cause you to believe that the assumptions do not provide a reasonable basis for the cash forecast.

You could then go on to say that the forecast has been properly prepared on the basis of the assumptions. This is assuming that this kind of opinion is appropriate in the light of the work you have performed.

INTERNATIONAL STANDARDS ON ASSURANCE ENGAGEMENTS (ISAES)

Appendix

International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (previously ISAE 100)

Description of important terms of the Assurance Engagements

Definition: 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.

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:

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- 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.

Criteria—The benchmarks used to measure or evaluate the underlying subject matter. The "applicable criteria" are the criteria used for the particular engagement.

Engaging party—The party (s) that engages the practitioner to perform the assurance engagement.

Evidence—Information used by the practitioner in arriving at the practitioner's conclusion. Evidence includes both information contained in relevant information systems, if any, and other information. For purposes of the ISAEs:

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

Intended users—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

Practitioner—The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm). Where this ISAE expressly intends that a requirement or responsibility be fulfilled by the engagement partner.

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Responsible party—The party (s) responsible for the underlying subject matter.

Underlying subject matter—The phenomenon that is measured or evaluated by applying criteria

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.
- The responsible party can be the engaging party.
- The responsible party can be one of the intended users, but not the only one.

Tutorial questions

Q. 1 It is often not possible to check things for yourself, whether quality, accuracy, performance or existence. You might not have the skills or the time, or you might be in the wrong location. Therefore you must rely on someone else to give you assurance. This means you have to decide what standards should be applied? What represents 'good', 'acceptable' or 'unacceptable? How much checking should be done and that all checking and assurance has an associated cost

DISCUSS the above paragraph

Q.2 The following are the five elements of an assurance engagement:
(1) A three party relationship involving a practitioner, a responsible party, and intended users.
(2) Appropriate subject matter.
(3) Suitable criteria.
(4) Sufficient appropriate evidence.
(5) A written assurance report in the form appropriate to a reasonable assurance engagement or a limited assurance engagement.

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