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15 September 2011

Technical Director  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14th Floor  
New York, New York 10017 USA

Dear Sir/Madam,

**RESPONSE TO EXPOSURE DRAFT – ISAE 3000 (REVISED) ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION**

The Institute of Certified Public Accountants of Singapore (ICPAS) appreciates the opportunity to comment on the above exposure draft (ED) issued by the International Auditing and Assurance Standards Board (IAASB) in March 2011. Our comments on the specific questions in the ED are as follows:

**Question 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?**

We are of the view that the 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.

**Question 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?**
- b) **Are the requirements and other material in proposed ISAE 3000 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?**
- a) Building on the original wordings of extant ISAE 3000, which provided a brief description on the differences between reasonable assurance and limited assurance in terms of engagement risk levels, the proposed ISAE 3000 went a step further to define limited assurance with reference to material misstatement in the subject matter information and procedures performed (ref: Proposed ISAE 3000, paragraph 8(a)(i)b) which would add greater clarity.

As such, we are of the view that proposed ISAE 3000 properly explains and defines the difference between reasonable assurance engagements and limited assurance engagements.

At the same time, we also note that illustrative examples have not been provided in the proposed ISAE 3000 to enhance the users' understanding. We would like to suggest that illustrations of reasonable assurance engagements and limited assurance engagements with modified and unmodified conclusions should be included to the proposed ISAE 3000 as appendices.

- b) We are of the view that the requirements and other material in ISAE 3000 are appropriate for both reasonable assurance engagements and limited assurance engagements as they are relatively general in nature. The scope of procedures required to be performed by the users of the report will determine accordingly the assurance levels to be provided.
- c) ISAE 3000 defines a limited assurance engagement as an engagement in which engagement risk is comparatively higher than that of a reasonable assurance engagement, and as such, the set of procedures performed is limited as compared to that of a reasonable assurance engagement. Consistent with this understanding, ISAE 3000 has not explicitly required preparers of limited assurance engagements to obtain an understanding of internal control over the preparation of the subject matter information, unlike preparers of reasonable assurance engagements (ref: Proposed ISAE 3000, paragraph 37).

While we are in agreement with this approach which allows less procedures to be performed for limited assurance engagements, an understanding of internal controls does help to reduce risk to a level that is acceptable in the circumstances of the engagement and could be made as part of the procedures when the practitioner becomes aware of any matter that may cause the practitioner to believe that the subject matter information may be materially misstated.

Thus it could be further elaborated in paragraph 42(c) in the proposed ISAE 3000, that some additional procedures to enable the practitioner to conclude that the subject matter information is not likely to be materially misstated would include an understanding of

internal controls when relevant to the underlying subject matter and other engagement circumstances.

### **Question 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”?**
  - b) **Does proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?**
  - 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))?**
    - 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?**
- a) We are in agreement with the proposed changes in terminology.
  - b) We are of the view that the proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements.
  - c) i. In paragraph 6(a) of the proposed ISAE 3000, it was stated that the objectives of the practitioner are to “obtain either reasonable assurance or limited assurance, as appropriate, about whether the subject matter information (that is the reported outcome of the measurement or evaluation of the underlying subject matter) is free from material misstatement. However, on the other hand, in paragraph A6(a), it was stated that in a direct engagement, “the practitioner is not independent of the subject matter information because the practitioner created that subject matter information.

Given the above, we wonder if there is a dissonance in the 2 paragraphs as they appear to suggest that the auditor is “auditing his own work” since he is auditing the subject matter information created by himself. IAASB may wish to re-look at the wordings in these 2 paragraphs to improve the clarity of the messaging.

ii. While we are of the view that the requirements and guidance in proposed ISAE 3000 generally address circumstances when the practitioner may select or develop the

applicable criteria, we feel that such circumstances could be more clearly illustrated in the standard with the use of more examples.

#### **Question 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?**
  - 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?**
  - 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?**
- a) We agree that including a summary of work performed is essential to understanding the assurance conveyed by the practitioner's conclusion as the level of assurance obtained by the practitioner varies with the procedures performed and should be included in the assurance report. We believe that this is consistent with the extant ISAE 3000.
  - b) We agree that it is appropriate to state that the procedures carried out in a limited assurance engagement are more limited as compared to a reasonable assurance engagement, and as such do not enable the practitioner to obtain the assurance needed to become aware of all significant matters that might be identified in a reasonable assurance engagement, since it helps to manage the users' expectations of the limited assurance given, and not to expect that the assurance level given is the same as that of a reasonable assurance engagement.
  - c) We are of the view that examples or illustrative guidance would be useful to practitioners and should be included for the summary of the practitioner's procedures in a limited assurance engagement, since it is difficult for practitioners to achieve a consistent understanding on the appropriate level of detail necessary to allow the intended users to understand the work done as a basis for the practitioner's conclusion. This would enhance the consistency and comparability of the presentation of the reports.

#### **Question 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 agree that the form of the practitioner's conclusion in a limited assurance engagement, supplemented by a summary of work done, communicates adequately the assurance obtained by the practitioner.

### **Question 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?**
- b) **Do respondents agree with proposed definition of "practitioner"?**

We are of the view that the application of the standard should be extended to auditors such as those in the public sector. However, we disagree with the proposed definition of "practitioner" which would include other members of the engagement team, in addition to the engagement partner. Traditionally, "practitioner" is synonymous with a professional accountant in public practice. We are of the view that it is not necessary to include the other engagement team members in the definition since in practice, they will refer to the standard anyway if they need to, even if the standard does not specifically state that they can apply the standard. Introducing a new definition for "practitioner" would be confusing.

### **Question 7**

**Public Sector — Recognizing the applicability of proposed ISAE 3000 to many assurance engagements in the public sector, the IAASB invites respondents from this sector to comment on the proposed ISAE, in particular on whether, in their opinion, the special considerations in the public sector environment have been dealt with appropriately in the proposed ISAE.**

Not applicable.

### **Question 8**

***Small- and Medium-Sized Practices (SMPs) and Small- and Medium-Sized Entities (SMEs)* — Recognizing the applicability of proposed ISAE 3000 to assurance engagements on historical financial information in a SME context or by SMPs, the IAASB invites respondents from this constituency to comment on the proposed ISAE, in particular on the scalability of requirements.**

Not applicable.

### **Question 9**

***Developing Nations*** — Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment on the proposed ISAE, in particular, on any foreseeable difficulties in applying it in a developing nation environment

Not applicable.

### **Question 10**

***Translations*** — Recognizing that many respondents may intend to translate the final ISAE for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents may note in reviewing the proposed ISAE

Not applicable.

### **Question 11**

***Effective Date***—The IAASB believes that an appropriate effective date for the final ISAE 3000 would be 12–15 months after approval of the final standard but with earlier application permitted. The IAASB welcomes comment on whether this would provide a sufficient period to support effective implementation of the ISAE.

We are of the view that the time provided is sufficient to support the effective implementation of the final ISAE.

Should you require any further clarification, please feel free to contact Mr Kang Wai Geat, Deputy Head, Technical Division and Ang Soon Lii, Assistant Manager, Technical Division, at the Institute of Certified Public Accountants of Singapore via email at [waigeat.kang@icpas.org.sg](mailto:waigeat.kang@icpas.org.sg) and [soonlii.ang@icpas.org.sg](mailto:soonlii.ang@icpas.org.sg).

Yours faithfully,



***Dr Tham Kah Poh***  
***Chief Executive Officer***