



INTERNATIONAL STANDARD ON ASSURANCE ENGAGEMENTS (NEW ZEALAND) 3000

Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE (NZ) 3000)

This compilation was prepared in March 2013 and incorporates amendments up to and including December 2012.

Effective for assurance engagements beginning on or after 1 November 2011.

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ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION*Issued by the External Reporting Board***CONTENTS**

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History of Amendments

Table of pronouncements – ISAE (NZ) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

This table lists the pronouncements establishing and amending ISAE (NZ) 3000. This compilation was prepared in March 2013 and incorporates amendments up to and including December 2012.

Pronouncements	Date approved	Early operative date	Effective date
International Standard on Assurance Engagements (New Zealand) 3000	August 2011	-	This Auditing Standard is operative for financial reporting periods commencing on or after 1 November 2011
International Standard on Assurance Engagements (New Zealand) 3410 <i>Assurance Engagements on Greenhouse Gas Statements</i>	December 2012	-	31 March 2013

Table of Amended Paragraphs in PES 1		
Paragraph affected	How affected	By ... [date]
Various	Terminology changed	ISAE (NZ) 3410 [Dec 2012]

Introduction

1. The purpose of this International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) is to establish basic principles and essential procedures for, and to provide guidance to, assurance practitioners for the performance of assurance engagements other than audits or reviews of historical financial information¹.
2. This ISAE (NZ) uses the terms “reasonable assurance engagement” and “limited assurance engagement” to distinguish between the two types of assurance engagement an assurance practitioner is permitted to perform. The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement² as the basis for a positive form of expression of the assurance practitioner’s conclusion. The objective of a limited assurance engagement is a reduction in assurance 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 a negative form of expression of the assurance practitioner’s conclusion.

Relationship with the Standards

3. **The assurance practitioner shall comply with this ISAE (NZ) and other relevant ISAEs (NZ) or Standards on Assurance Engagements (SAEs) when performing an assurance engagement other than an audit or review of historical financial information.** This ISAE (NZ) has been written for general application to assurance engagements other than audits or reviews of historical financial information. Other ISAEs (NZ) or SAEs may relate to topics that apply to all subject matters or be subject matter specific. Although ISAs (NZ) and other Standards addressing audits or reviews of historical financial information do not apply to engagements covered by ISAEs (NZ) and SAEs, they may nevertheless provide guidance to assurance practitioners.

Definitions

- 3A. For the purpose of this Standard, the following terms have the meaning specified:
 - (a) Assurance Engagement – an engagement in which an assurance practitioner expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.
 - (b) Assurance Engagement Risk – the risk that the assurance practitioner expresses an inappropriate conclusion when the subject matter information is materially misstated³.

¹ Those Engagement Standards are International Standards on Auditing (New Zealand) (ISAs (NZ)) and Review Engagement Standards 1.

² Engagement circumstances include the terms of the engagement, including whether it is a reasonable assurance engagement or a limited assurance engagement, the characteristics of the subject matter, the criteria to be used, the needs of the intended users, relevant characteristics of the responsible party and its environment, and other matters, for example events, transactions, conditions and practices, that may have a significant effect on the engagement.

³ Assurance engagement risk includes the risk, in those direct reporting engagements where the subject matter information is presented only in the assurance practitioner’s conclusion, that the assurance practitioner inappropriately concludes that the subject matter does, in all material respects, conform with the criteria applied in the engagement.

- (c) Assurance Practitioner – A person or an organisation, whether in public practice, industry, commerce or the public sector, appointed or engaged to undertake assurance engagements. .
- (d) Firm – a sole practitioner, partnership, corporate practice or other form of entity through which an assurance practitioner undertakes assurance engagements.

Ethical Requirements

4. **The assurance practitioner shall comply with the requirements of Professional and Ethical Standard 1⁴ and Professional and Ethical Standard 2⁵ issued by the External Reporting Board or the New Zealand Auditing and Assurance Standards Board (referred to subsequently as ‘Ethical Standards’).**
5. The Ethical Standards provide a framework of principles that members of assurance teams, firms and network firms use to identify threats to independence⁶, evaluate the significance of those threats and, if the threats are other than clearly insignificant, identify and apply safeguards to eliminate the threats or reduce them to an acceptable level, such that independence of mind and independence in appearance are not compromised.

Quality Control

6. **The assurance practitioner shall implement quality control procedures that are applicable to the individual engagement.** Under Professional and Ethical Standard 3⁷ assurance practitioners and firms must establish a system of quality control designed to provide reasonable assurance that the assurance practitioner or firm and their personnel comply with standards issued by the External Reporting Board or the New Zealand Auditing and Assurance Standards Board and regulatory and legal requirements, and that the assurance reports issued by the assurance practitioner or firm, or engagement partners of the firm are appropriate in the circumstances. In addition, elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the engagement, ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring.

Engagement Acceptance and Continuance

7. **The assurance practitioner shall accept (or continue where applicable) an assurance engagement only if the subject matter is the responsibility of a party**

⁴ Professional and Ethical Standard 1, “Ethical Standards for Assurance Practitioners”.

⁵ Professional and Ethical Standard 2, “Independence in Assurance Engagements”.

⁶ If an assurance practitioner, for example an internal auditor, applies ISAEs (NZ), and (a) the ISAEs (NZ) are referred to in the assurance practitioner’s report; and (b) the assurance practitioner or other members of the assurance team and, when applicable, the assurance practitioner 's employer, are not independent of the entity in respect of which the assurance engagement is being performed, the lack of independence and the nature of the relationship(s) with the assurance client are prominently disclosed in the assurance practitioner 's report. Also, that report does not include the word “independent” in its title, and the purpose and users of the report are restricted.

⁷ Professional and Ethical Standard 3, “Quality Control”.

other than the intended users or the assurance practitioner. The responsible party can be one of the intended users, but not the only one. Acknowledgement by the responsible party provides evidence that the appropriate relationship exists, and also establishes a basis for a common understanding of the responsibility of each party. A written acknowledgement is the most appropriate form of documenting the responsible party's understanding. In the absence of an acknowledgement of responsibility, the assurance practitioner considers:

- (a) whether it is appropriate to accept the engagement. Accepting it may be appropriate when, for example, other sources, such as legislation or a contract, indicate responsibility; and
- (b) if the engagement is accepted, whether to disclose these circumstances in the assurance report.

- 8. The assurance practitioner shall accept (or continue where applicable) an assurance engagement only if, on the basis of a preliminary knowledge of the engagement circumstances, nothing comes to the attention of the assurance practitioner to indicate that the requirements of the Ethical Standards, or of the ISAEs (NZ) or SAEs will not be satisfied.** If the party engaging the assurance practitioner (the “engaging party”) is not the responsible party, the assurance practitioner considers the effect of this on access to records, documentation and other information the assurance practitioner may require to complete the engagement.
- 9. The assurance practitioner shall accept (or continue where applicable) an assurance engagement only if the assurance practitioner is satisfied that those persons who are to perform the engagement collectively possess the necessary professional competencies.** An assurance practitioner may be requested to perform assurance engagements on a wide range of subject matters. Some subject matters may require specialised skills and knowledge beyond those ordinarily possessed by an individual assurance practitioner (see paragraphs 26-32).

Agreeing on the Terms of the Engagement

- 10. The assurance practitioner shall agree on the terms of the engagement with the engaging party.** To avoid misunderstandings, the agreed terms are recorded in an engagement letter or other suitable form of contract. If the engaging party is not the responsible party, the nature and content of an engagement letter or contract may vary. The existence of a legislative mandate may satisfy the requirement to agree on the terms of the engagement. Even in those situations an engagement letter may be useful for both the assurance practitioner and engaging party.
- 11. An assurance practitioner shall consider the appropriateness of a request, made before the completion of an assurance engagement, to change the engagement to a non-assurance engagement or from a reasonable assurance engagement to a limited assurance engagement, and shall not agree to a change without reasonable justification.** A change in circumstances that affects the intended users' requirements, or a misunderstanding concerning the nature of the engagement, ordinarily will justify a request for a change in the engagement. If such a change is made, the assurance practitioner does not disregard evidence that was obtained prior to the change.

Planning and Performing the Engagement

- 12. The assurance practitioner shall plan the engagement so that it will be performed effectively.** Planning involves developing an overall strategy for the scope, emphasis, timing and conduct of the engagement, and an engagement plan, consisting of a detailed approach for the nature, timing and extent of evidence-gathering procedures to be performed and the reasons for selecting them. Adequate planning helps to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis and properly organise and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the assurance practitioner to properly assign work to engagement team members, and facilitates their direction and supervision and the review of their work. Further, it assists, where applicable, the coordination of work done by other assurance practitioners and experts. The nature and extent of planning activities will vary with the engagement circumstances, for example the size and complexity of the entity and the assurance practitioner's previous experience with it. Examples of the main matters to be considered include:
- the terms of the engagement.
 - the characteristics of the subject matter and the identified criteria.
 - the engagement process and possible sources of evidence.
 - the assurance practitioner's understanding of the entity and its environment, including the risks that the subject matter information may be materially misstated.
 - identification of intended users and their needs, and consideration of materiality and the components of assurance engagement risk.
 - personnel and expertise requirements, including the nature and extent of experts' involvement.
13. Planning is not a discrete phase, but rather a continual and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or the evidence obtained from the results of evidence-gathering procedures, the assurance practitioner may need to revise the overall strategy and engagement plan, and thereby the resulting planned nature, timing and extent of further procedures.
- 14. The assurance practitioner shall plan and perform an engagement with an attitude of professional scepticism recognising that circumstances may exist that cause the subject matter information to be materially misstated.** An attitude of professional scepticism means the assurance practitioner makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by the responsible party.
- 15. The assurance practitioner shall obtain an understanding of the subject matter and other engagement circumstances, sufficient to identify and assess the risks of the subject matter information being materially misstated, and sufficient to design and perform further evidence-gathering procedures.**
16. Obtaining an understanding of the subject matter and other engagement circumstances is an essential part of planning and performing an assurance engagement. That

understanding provides the assurance practitioner with a frame of reference for exercising professional judgement throughout the engagement, for example when:

- considering the characteristics of the subject matter;
 - assessing the suitability of criteria;
 - identifying where special consideration may be necessary, for example factors indicative of fraud, and the need for specialised skills or the work of an expert;
 - establishing and evaluating the continued appropriateness of quantitative materiality levels (where appropriate), and considering qualitative materiality factors;
 - developing expectations for use when performing analytical procedures;
 - designing and performing further evidence-gathering procedures to reduce assurance engagement risk to an appropriate level; and
 - evaluating evidence, including the reasonableness of the responsible party's oral and written representations.
17. The assurance practitioner uses professional judgement to determine the extent of the understanding required of the subject matter and other engagement circumstances. The assurance practitioner considers whether the understanding is sufficient to assess the risks that the subject matter information may be materially misstated. The assurance practitioner ordinarily has a lesser depth of understanding than the responsible party.

Assessing the Appropriateness of the Subject Matter

- 18. The assurance practitioner shall assess the appropriateness of the subject matter.** The assurance practitioner also identifies those characteristics of the subject matter that are particularly relevant to the intended users, which are to be described in the assurance report. An assurance practitioner does not accept an assurance engagement unless the assurance practitioner's preliminary knowledge of the engagement circumstances indicates that the subject matter is appropriate. After accepting the engagement, however, if the assurance practitioner concludes that the subject matter is not appropriate, the assurance practitioner expresses a qualified or adverse conclusion or a disclaimer of conclusion. In some cases the assurance practitioner considers withdrawing from the engagement.

Assessing the Suitability of the Criteria

- 19. The assurance practitioner shall assess the suitability of the criteria to evaluate or measure the subject matter.** An assurance practitioner does not accept an assurance engagement unless the assurance practitioner's preliminary knowledge of the engagement circumstances indicates that the criteria to be used are suitable. After accepting the engagement, however, if the assurance practitioner's concludes that the criteria are not suitable, the assurance practitioner expresses a qualified or adverse conclusion or a disclaimer of conclusion. In some cases the assurance practitioner considers withdrawing from the engagement.
20. Criteria can either be established or specifically developed. Ordinarily, established criteria are suitable when they are relevant to the needs of the intended users. When established criteria exist for a subject matter, specific users may agree to other criteria

for their specific purposes. For example, various frameworks can be used as established criteria for evaluating the effectiveness of internal control. Specific users may, however, develop a more detailed set of criteria that meet their specific needs in relation to, for example, prudential supervision. In such cases, the assurance report:

- (a) notes, when it is relevant to the circumstances of the engagement, that the criteria are not embodied in laws or regulations, or issued by authorised or recognised bodies of experts that follow a transparent due process; and
 - (b) states that it is only for the use of the specific users and for their purposes.
21. For some subject matters, it is likely that no established criteria exist. In those cases, criteria are specifically developed. The assurance practitioner considers whether specifically developed criteria result in an assurance report that is misleading to the intended users. The assurance practitioner attempts to have the intended users or the engaging party acknowledge that specifically developed criteria are suitable for the intended users' purposes. The assurance practitioner considers how the absence of such an acknowledgement affects what is to be done to assess the suitability of the identified criteria, and the information provided about the criteria in the assurance report.

Materiality and Assurance Engagement Risk

- 22. The assurance practitioner shall consider materiality and assurance engagement risk when planning and performing an assurance engagement.**
23. The assurance practitioner considers materiality when determining the nature, timing and extent of evidence-gathering procedures, and when evaluating whether the subject matter information is free of misstatement. Considering materiality requires the assurance practitioner to understand and assess what factors might influence the decisions of the intended users. For example, when the identified criteria allow for variations in the presentation of the subject matter information, the assurance practitioner considers how the adopted presentation might influence the decisions of the intended users. Materiality is considered in the context of quantitative and qualitative factors, such as relative magnitude, the nature and extent of the effect of these factors on the evaluation or measurement of the subject matter, and the interests of the intended users. The assessment of materiality and the relative importance of quantitative and qualitative factors in a particular engagement are matters for the assurance practitioner's judgement.
- 24. The assurance practitioner shall reduce assurance engagement risk to an acceptably low level in the circumstances of the engagement.** In a reasonable assurance engagement, the assurance practitioner reduces assurance engagement risk to an acceptably low level in the circumstances of the engagement to obtain reasonable assurance as the basis for a positive form of expression of the assurance practitioner's conclusion. The level of assurance engagement risk is higher in a limited assurance engagement than in a reasonable assurance engagement because of the different nature, timing or extent of evidence-gathering procedures. However, in a limited assurance engagement, the combination of the nature, timing, and extent of evidence-gathering procedures is at least sufficient for the assurance practitioner to obtain a meaningful level of assurance as the basis for a negative form of expression. To be meaningful, the level of assurance obtained is likely to enhance the intended

users' confidence about the subject matter information to a degree that is clearly more than inconsequential.

25. In general, assurance engagement risk comprises inherent risk, control risk and detection risk. The degree to which the assurance practitioner considers each of these components is affected by the engagement circumstances, in particular the nature of the subject matter and whether a reasonable assurance or a limited assurance engagement is being performed.

Using the Work of an Expert

26. **When the work of an expert is used in the collection and evaluation of evidence, the assurance practitioner and the expert shall, on a combined basis, possess adequate skill and knowledge regarding the subject matter and the criteria for the assurance practitioner to determine that sufficient appropriate evidence has been obtained.**
27. The subject matter and related criteria of some assurance engagements may include aspects requiring specialised knowledge and skills in the collection and evaluation of evidence. In these situations, the assurance practitioner may decide to use the work of persons from other professional disciplines, referred to as experts, who have the required knowledge and skills. This ISAE (NZ) does not provide guidance with respect to using the work of an expert for engagements where there is joint responsibility and reporting by an assurance practitioner and one or more experts.
28. Due care is a required professional quality for all individuals, including experts, involved in an assurance engagement. Persons involved in assurance engagements will have different responsibilities assigned to them. The extent of proficiency required in performing those engagements will vary with the nature of their responsibilities. While experts do not require the same proficiency as the assurance practitioner in performing all aspects of an assurance engagement, the assurance practitioner determines that the experts have a sufficient understanding of the ISAEs (NZ) to enable them to relate the work assigned to them to the engagement objective.
29. The assurance practitioner adopts quality control procedures that address the responsibility of each person performing the assurance engagement, including the work of any experts who are not professional accountants, to ensure compliance with this ISAE (NZ) and other relevant ISAEs (NZ) or SAEs in the context of their responsibilities.
30. **The assurance practitioner shall be involved in the engagement and understand the work for which an expert is used, to an extent that is sufficient to enable the assurance practitioner to accept responsibility for the conclusion on the subject matter information.** The assurance practitioner considers the extent to which it is reasonable to use the work of an expert in forming the assurance practitioner's conclusion.
31. The assurance practitioner is not expected to possess the same specialised knowledge and skills as the expert. The assurance practitioner has however, sufficient skill and knowledge to:
- (a) define the objectives of the assigned work and how this work relates to the objective of the engagement;

- (b) consider the reasonableness of the assumptions, methods and source data used by the expert; and
- (c) consider the reasonableness of the expert's findings in relation to the engagement circumstances and the assurance practitioner's conclusion.

32. The assurance practitioner shall obtain sufficient appropriate evidence that the expert's work is adequate for the purposes of the assurance engagement. In assessing the sufficiency and appropriateness of the evidence provided by the expert, the assurance practitioner evaluates:

- (a) the professional competence, including experience, and objectivity of the expert;
- (b) the reasonableness of the assumptions, methods and source data used by the expert; and
- (c) the reasonableness and significance of the expert's findings in relation to the circumstances of the engagement and the assurance practitioner's conclusion.

Obtaining Evidence

33. The assurance practitioner shall obtain sufficient appropriate evidence on which to base the conclusion. Sufficiency is the measure of the quantity of evidence. Appropriateness is the measure of the quality of evidence; that is, its relevance and its reliability. The assurance practitioner considers the relationship between the cost of obtaining evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting an evidence-gathering procedure for which there is no alternative. The assurance practitioner uses professional judgement and exercises professional scepticism in evaluating the quantity and quality of evidence, and thus its sufficiency and appropriateness, to support the assurance report.

34. An assurance engagement rarely involves the authentication of documentation, nor is the assurance practitioner trained as or expected to be an expert in such authentication. However, the assurance practitioner considers the reliability of the information to be used as evidence, for example photocopies, facsimiles, filmed, digitised or other electronic documents, including consideration of controls over their preparation and maintenance where relevant.

35. Sufficient appropriate evidence in a reasonable assurance engagement is obtained as part of an iterative, systematic engagement process involving:

- (a) obtaining an understanding of the subject matter and other engagement circumstances which, depending on the subject matter, includes obtaining an understanding of internal control;
- (b) based on that understanding, assessing the risks that the subject matter information may be materially misstated;
- (c) responding to assessed risks, including developing overall responses, and determining the nature, timing and extent of further procedures;
- (d) performing further procedures clearly linked to the identified risks, using a combination of inspection, observation, confirmation, re-calculation, re-performance, analytical procedures and enquiry. Such further procedures involve substantive procedures, including obtaining corroborating information

from sources independent of the entity, and depending on the nature of the subject matter, tests of the operating effectiveness of controls; and

(e) evaluating the sufficiency and appropriateness of evidence.

36. “Reasonable assurance” is less than absolute assurance. Reducing assurance engagement risk to zero is very rarely attainable or cost beneficial 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 assurance practitioner is persuasive rather than conclusive.
 - the use of judgement in gathering and evaluating evidence and forming conclusions based on that evidence.
 - in some cases, the characteristics of the subject matter.
37. 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 subject matter and other engagement circumstances. The nature, timing and extent of procedures for gathering sufficient appropriate evidence in a limited assurance engagement are, however, deliberately limited relative to a reasonable assurance engagement. For some subject matters, there may be specific ISAEs (NZ) or SAEs to provide guidance on procedures for gathering sufficient appropriate evidence for a limited assurance engagement. In the absence of a specific ISAE (NZ) or SAE, the procedures for gathering sufficient appropriate evidence will vary with the circumstances of the engagement, in particular: the subject matter, and the needs of the intended users and the engaging party, including relevant time and cost constraints. For both reasonable assurance and limited assurance engagements, if the assurance practitioner becomes aware of a matter that leads the assurance practitioner to question whether a material modification should be made to the subject matter information, the assurance practitioner pursues the matter by performing other procedures sufficient to enable the assurance practitioner to report.

Representations by the Responsible Party

38. **The assurance practitioner shall obtain representations from the responsible party, as appropriate.** Written confirmation of oral representations reduces the possibility of misunderstandings between the assurance practitioner and the responsible party. In particular, the assurance practitioner requests from the responsible party a written representation that evaluates or measures the subject matter against the identified criteria, whether or not it is to be made available as an assertion to the intended users. Having no written representation may result in a qualified conclusion or a disclaimer of conclusion on the basis of a limitation on the scope of the engagement. The assurance practitioner may also include a restriction on the use of the assurance report.
39. During an assurance engagement, the responsible party may make representations to the assurance practitioner, either unsolicited or in response to specific enquiries.

When such representations relate to matters that are material to the subject matter's evaluation or measurement, the assurance practitioner:

- (a) evaluates their reasonableness and consistency with other evidence obtained, including other representations;
 - (b) considers whether those making the representations can be expected to be well informed on the particular matters; and
 - (c) obtains corroborative evidence in the case of a reasonable assurance engagement. The assurance practitioner may also seek corroborative evidence in the case of a limited assurance engagement.
40. Representations by the responsible party cannot replace other evidence the assurance practitioner could reasonably expect to be available. An inability to obtain sufficient appropriate evidence regarding a matter that has, or may have, a material effect on the evaluation or measurement of the subject matter, when such evidence would ordinarily be available, constitutes a limitation on the scope of the engagement, even if a representation from the responsible party has been received on the matter.

Considering Subsequent Events

- 41. The assurance practitioner shall consider the effect on the subject matter information and on the assurance report of events up to the date of the assurance report.** The extent of consideration of subsequent events depends on the potential for such events to affect the subject matter information and to affect the appropriateness of the assurance practitioner's conclusion. Consideration of subsequent events in some assurance engagements may not be relevant because of the nature of the subject matter. For example, when the engagement requires a conclusion about the accuracy of a statistical return at a point in time, events occurring between that point in time and the date of the assurance report, may not affect the conclusion, or require disclosure in the return or the assurance report.

Documentation

- 42. The assurance practitioner shall document matters that are significant in providing evidence that supports the assurance report and that the engagement was performed in accordance with applicable ISAEs (NZ) or SAEs.**
43. Documentation includes a record of the assurance practitioner's reasoning on all significant matters that require the exercise of judgement, and related conclusions. The existence of difficult questions of principle or judgement, calls for the documentation to include the relevant facts that were known by the assurance practitioner at the time the conclusion was reached.
44. It is neither necessary nor practical to document every matter the assurance practitioner considers. In applying professional judgement to assessing the extent of documentation to be prepared and retained, the assurance practitioner may consider what is necessary to provide an understanding of the work performed and the basis of the principal decisions taken (but not the detailed aspects of the engagement) to another assurance practitioner who has no previous experience with the engagement. That other assurance practitioner may only be able to obtain an understanding of detailed aspects of the engagement by discussing them with the assurance practitioner who prepared the documentation.

Preparing the Assurance Report

- 45. The assurance practitioner shall conclude whether sufficient appropriate evidence has been obtained to support the conclusion expressed in the assurance report.** In developing the conclusion, the assurance practitioner considers all relevant evidence obtained, regardless of whether it appears to corroborate or to contradict the subject matter information.
- 46. The assurance report shall be in writing and shall contain a clear expression of the assurance practitioner’s conclusion about the subject matter information.**
47. Oral and other forms of expressing conclusions can be misunderstood without the support of a written report. For this reason, the assurance practitioner does not report orally or by use of symbols without also providing a definitive written assurance report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written assurance report on the Internet.
48. This ISAE (NZ) does not require a standardised format for reporting on all assurance engagements. Instead it identifies in paragraph 49 the basic elements the assurance report is to include. Assurance reports are tailored to the specific engagement circumstances. The assurance practitioner chooses 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 often describe in detail the terms of the engagement, the criteria being used, findings relating to particular aspects of the engagement and, in some cases, recommendations, as well as the basic elements. Any findings and recommendations are clearly separated from the assurance practitioner’s conclusion on the subject matter information, and the wording used in presenting them makes it clear they are not intended to affect the assurance practitioner’s conclusion. The assurance practitioner may use headings, paragraph numbers, typographical devices, for example the bolding of text and other mechanisms to enhance the clarity and readability of the assurance report.

Assurance Report Content

- 49. The assurance report shall include the following basic elements:**
- (a) **a title that clearly indicates the report is an independent assurance report:**⁸ an appropriate title helps to identify the nature of the assurance report, and to distinguish it from reports issued by others, such as those who do not have to comply with the same ethical requirements as the assurance practitioner.
 - (b) **an addressee:** an addressee identifies the party or parties to whom the assurance report is directed. Whenever practical, the assurance report is addressed to all the intended users, but in some cases there may be other intended users.
 - (c) **an identification and description of the subject matter information and, when appropriate, the subject matter:** this includes for example:
 - the point in time or period of time to which the evaluation or measurement of the subject matter relates;

⁸ See footnote 6.

- where applicable, the name of the entity or component of the entity to which the subject matter relates; and
- an explanation of those characteristics of the subject matter or the subject matter information of which the intended users should be aware, and how such characteristics may influence the precision of the evaluation or measurement of the subject matter against the identified criteria, or the persuasiveness of available evidence. For example:
 - the degree to which the subject matter information is qualitative versus quantitative, objective versus subjective, or historical versus prospective.
 - changes in the subject matter or other engagement circumstances that affect the comparability of the subject matter information from one period to the next.

When the assurance practitioner's conclusion is worded in terms of the responsible party's assertion, that assertion is appended to the assurance report, reproduced in the assurance report or referenced therein to a source that is available to the intended users.

(d) identification of the criteria: the assurance report identifies the criteria against which the subject matter was evaluated or measured so the intended users can understand the basis for the assurance practitioner's conclusion. The assurance report may include the criteria, or refer to them if they are contained in an assertion prepared by the responsible party that is available to the intended users or if they are otherwise available from a readily accessible source. The assurance practitioner considers whether it is relevant to the circumstances, to disclose:

- the source of the criteria, and whether or not the criteria are embodied in laws or regulations, or issued by authorised or recognised bodies of experts that follow a transparent due process, that is, whether they are established criteria in the context of the subject matter (and if they are not, a description of why they are considered suitable);
- measurement methods used when the criteria allow for choice between a number of methods;
- any significant interpretations made in applying the criteria in the engagement circumstances; and
- whether there have been any changes in the measurement methods used.

(e) where appropriate, a description of any significant, inherent limitation associated with the evaluation or measurement of the subject matter against the criteria: while in some cases, inherent limitations can be expected to be well understood by readers of an assurance report, in other cases it may be appropriate to make explicit reference in the assurance report. For example, in an assurance report related to the effectiveness of internal control, it may be appropriate to note that the historic evaluation of effectiveness is not relevant to future periods due to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

- (f) **when the criteria used to evaluate or measure the subject matter are available only to specific intended users, or are relevant only to a specific purpose, a statement restricting the use of the assurance report to those intended users or that purpose:** in addition, whenever the assurance report is intended only for specific intended users or a specific purpose, the assurance practitioner considers stating this fact in the assurance report.⁹ This provides a caution to readers that the assurance report is restricted to specific users or for specific purposes.
- (g) **a statement to identify the responsible party and to describe the responsible party's and the assurance practitioner's responsibilities:** this informs the intended users that the responsible party is responsible for the subject matter in the case of a direct reporting engagement, or the subject matter information in the case of an assertion-based engagement, and that the assurance practitioner's role is to independently express a conclusion about the subject matter information.
- (h) **a statement that the engagement was performed in accordance with the ISAEs (NZ) or SAEs applicable to the engagement:** where there is a subject matter specific ISAE (NZ) or SAE, that ISAE (NZ) or SAE may require that the assurance report refer specifically to it.
- (i) **a summary of the work performed:** the summary will help the intended users understand the nature of the assurance conveyed by the assurance report.

Where no specific ISAE (NZ) or SAE provides guidance on evidence-gathering procedures for a particular subject matter, the summary might include a more detailed description of the work performed.

Because in a limited assurance engagement an appreciation of the nature, timing, and extent of evidence-gathering procedures performed is essential to understanding the assurance conveyed by a conclusion expressed in the negative form, the summary of the work performed:

- (i) is ordinarily more detailed than for a reasonable assurance engagement and identifies the limitations on the nature, timing, and extent of evidence-gathering procedures. It may be appropriate to indicate procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement; and
- (ii) states that the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and that therefore less assurance is obtained than in a reasonable assurance engagement.

NZ (ia) a statement as to the existence of any relationship (other than assurance practitioner) which the assurance practitioner has with, or any interests which the assurance practitioner has in, the entity.

⁹ 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 reader or purpose does not itself indicate that a legal responsibility is owed by the assurance practitioner in relation to that reader or for that purpose. Whether a legal responsibility is owed will depend on the legal circumstances of each case and the relevant jurisdiction.

- (j) **the assurance practitioner’s conclusion:** where the subject matter information is made up of a number of aspects, separate conclusions may be provided on each aspect. While not all such conclusions need to relate to the same level of evidence-gathering procedures, each conclusion is expressed in the form that is appropriate to either a reasonable-assurance or a limited assurance engagement.

Where appropriate, the conclusion shall inform the intended users of the context in which the assurance practitioner’s conclusion is to be read: the assurance practitioner’s conclusion may, for example, include wording such as: “This conclusion has been formed on the basis of, and is subject to the inherent limitations outlined elsewhere in this independent assurance report.” This would be appropriate, for example, when the report includes an explanation of particular characteristics of the subject matter of which the intended users should be aware.

In a reasonable assurance engagement, the conclusion shall be expressed in the positive form: for example: “In our opinion internal control is effective, in all material respects, based on *XYZ criteria*” or “In our opinion *the responsible party’s* assertion that internal control is effective, in all material respects, based on *XYZ criteria*, is fairly stated.”

In a limited assurance engagement, the conclusion shall be expressed 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*” or “Based on our work described in this report, nothing has come to our attention that causes us to believe that *the responsible party’s* assertion that internal control is effective, in all material respects, based on *XYZ criteria*, is not fairly stated.”

Where the assurance practitioner expresses a conclusion that is other than unqualified, the assurance report shall contain a clear description of all the reasons: (also see paragraphs 51-53).

- (k) **the assurance report date:** this informs the intended users that the assurance practitioner has considered the effect on the subject matter information and on the assurance report of events that occurred up to that date.
- (l) **the name of the firm or the assurance practitioner, and a specific location, which ordinarily is the city where the assurance practitioner maintains the office that has responsibility for the engagement:** this informs the intended users of the individual or firm assuming responsibility for the engagement.

50. The assurance practitioner may expand the assurance report to include other information and explanations that are not intended to affect the assurance practitioner’s conclusion. Examples include: details of the qualifications and experience of the assurance practitioner and others involved with the engagement, disclosure of materiality levels, findings relating to particular aspects of the engagement, and recommendations. Whether to include any such information depends on its significance to the needs of the intended users. Additional information is clearly separated from the assurance practitioner’s conclusion and worded in such a manner so as not to affect that conclusion.

Qualified Conclusions, Adverse Conclusions and Disclaimers of Conclusion

51. The assurance practitioner shall not express an unqualified conclusion when the following circumstances exist and, in the assurance practitioner's judgement, the effect of the matter is or may be material:

- (a) there is a limitation on the scope of the assurance practitioner's work, that is, circumstances prevent, or the responsible party or the engaging party imposes a restriction that prevents, the assurance practitioner from obtaining evidence required to reduce assurance engagement risk to the appropriate level. The assurance practitioner shall express a qualified conclusion or a disclaimer of conclusion;**
- (b) in those cases where:**
 - (i) the assurance practitioner's conclusion is worded in terms of the responsible party's assertion, and that assertion is not fairly stated, in all material respects; or**
 - (ii) the assurance practitioner's conclusion is worded directly in terms of the subject matter and the criteria, and the subject matter information is materially misstated,¹⁰**

**the assurance practitioner shall express a qualified or adverse conclusion;
or**

- (c) when it is discovered, after the engagement has been accepted, that the criteria are unsuitable or the subject matter is not appropriate for an assurance engagement. The assurance practitioner shall express:**
 - (i) a qualified conclusion or adverse conclusion when the unsuitable criteria or inappropriate subject matter is likely to mislead the intended users; or**
 - (ii) a qualified conclusion or a disclaimer of conclusion in other cases.**

52. The assurance practitioner shall express a qualified conclusion when the effect of a matter is not so material or pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion is expressed as being "except for" the effects of the matter to which the qualification relates.

53. In those cases where the assurance practitioner's unqualified conclusion would be worded in terms of the responsible party's assertion, and that assertion has identified and properly described that the subject matter information is materially misstated, the assurance practitioner either:

- (a) expresses a qualified or adverse conclusion worded directly in terms of the subject matter and the criteria; or**
- (b) if specifically required by the terms of the engagement to word the conclusion in terms of the responsible party's assertion, expresses an unqualified**

¹⁰ In those direct reporting engagements where the subject matter information is presented only in the assurance practitioner's conclusion, and the assurance practitioner concludes that the subject matter does not, in all material respects, conform with the criteria, for example: "In our opinion, except for [...], internal control is effective, in all material respects, based on XYZ criteria," such a conclusion would also be considered to be qualified (or adverse as appropriate).

conclusion but emphasises the matter by specifically referring to it in the assurance report.

Other Reporting Responsibilities

- 54. The assurance practitioner shall consider other reporting responsibilities, including the appropriateness of communicating relevant matters of governance interest arising from the assurance engagement with those charged with governance.**
55. In this ISAE (NZ), “governance” describes the role of persons entrusted with the supervision, control and direction of a responsible party.¹¹ Those charged with governance ordinarily are accountable for ensuring that an entity achieves its objectives and for reporting to interested parties. If the engaging party is different from the responsible party it may not be appropriate to communicate directly with the responsible party or those charged with governance over the responsible party.
56. In this ISAE (NZ), “relevant matters of governance interest” are those that arise from the assurance engagement and, in the assurance practitioner’s opinion, are both important and relevant to those charged with governance. Relevant matters of governance interest include only those matters that have come to the attention of the assurance practitioner while performing the assurance engagement. If the terms of the engagement do not specifically require it, the assurance practitioner is not required to design procedures for the specific purpose of identifying matters of governance interest.

Effective Date

57. This ISAE (NZ) is effective for assurance engagements beginning on or after 1 November, 2011.

¹¹ In many countries, principles of governance have been developed as a point of reference for establishing good governance behavior. Such principles often focus on publicly traded companies; they may however, also serve to improve governance in other forms of entities. There is no single model of good governance. Governance structures and practices vary from country to country.

Accompanying Attachment: Similarity to the International Standards on Assurance Engagements

This conformity statement accompanies but is not part of ISAE (NZ) 3000.

This International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) conforms to International Standard on Auditing ISAE (NZ) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this ISAE (NZ) (and do not appear in the text of the equivalent ISA) are identified with the prefix “NZ”.

This Auditing Standard incorporates terminology and definitions used in New Zealand.

Compliance with this ISAE (NZ) enables compliance with ISAE 3000.

Comparison with Australian Standards on Assurance Engagements

In Australia the Australian Auditing and Assurance Standards Board (AUASB) has issued Australian Auditing Standard ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Except as noted below, this ASAE conforms with ISAE 3000. The main differences between this ASAE and ISAE 3000 are:

- This ASAE contains the following application paragraph that is not contained in ISAE 3000:
 - ◆ this Standard on Assurance Engagements (ASAE) applies to assurance engagements other than audits or reviews of historical financial information (paragraph 1).
- In this ASAE, the term ‘practitioner’ has been replaced with ‘assurance practitioner’ to expand the application of the ASAE by other professionals. Assurance practitioner has been defined as follows:
 - ◆ for the purpose of this ASAE, an “assurance practitioner” means a person or an organisation, whether in public practice, industry, commerce or the public sector, involved in the provision of assurance services (paragraph 4).
- In this ASAE, the definition of reasonable assurance has been expanded as follows:
 - ◆ reasonable assurance means a high, but not absolute, level of assurance (paragraph 5(a)).
- This ASAE contains the following mandatory requirements that are not contained in ISAE 3000:
 - ◆ where in rare and exceptional circumstances, factors outside the assurance practitioner’s control prevent the assurance practitioner from complying with a relevant mandatory requirement in this ASAE, the assurance practitioner shall:

- if possible, perform appropriate alternative evidence-gathering procedures; and
- document in the working papers:
 - ◇ the circumstances surrounding the inability to comply;
 - ◇ the reasons for the inability to comply; and
 - ◇ justification of how alternative evidence-gathering procedures achieve the objectives of the mandatory requirement.

When the assurance practitioner is unable to perform appropriate alternative evidence-gathering procedures, the assurance practitioner shall consider the implications for the assurance practitioner's report (paragraph 8);

- ◆ the assurance practitioner shall comply with the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour (paragraph 9);
- ◆ the assurance practitioner shall implement procedures to address the following elements of a quality control system that apply to the individual assurance engagement:
 - leadership responsibilities for quality on the assurance engagement;
 - ethical requirements;
 - acceptance and continuance of client relationships and specific assurance engagements;
 - assignment of assurance engagement teams;
 - assurance engagement performance; and
 - monitoring (paragraph 12);
- ◆ the assurance practitioner shall accept (or continue where applicable) an assurance engagement only if, on the basis of a preliminary knowledge of the assurance engagement circumstances, nothing comes to the attention of the assurance practitioner to indicate that the requirements of the fundamental ethical principles or of the ASAEs will not be satisfied (paragraph 16);
- ◆ the assurance practitioner shall agree on the terms of the assurance engagement with the engaging party, which shall be recorded in writing by the assurance practitioner and forwarded to the engaging party. When the assurance engagement is undertaken pursuant to legislation, the minimum applicable assurance engagement terms shall be those contained in the legislation (paragraph 20);
- ◆ when the terms of an assurance engagement are changed, the assurance practitioner shall agree on the new terms with the engaging party and confirm them in writing (paragraph 23);

- ◆ the assurance practitioner shall prepare, on a timely basis, documentation that is sufficient and appropriate to provide:
 - a basis for the assurance practitioner's conclusion; and
 - evidence that the assurance engagement was performed in accordance with ASAEs (paragraph 70);
- ◆ an assurance practitioner shall modify the assurance report by adding an emphasis of matter paragraph to highlight a matter that is fundamental to the users' understanding of the subject matter information. The addition of an emphasis of matter paragraph does not affect the assurance practitioner's conclusion (paragraph 82); and
- ◆ in some cases the assurance practitioner shall consider withdrawing from the assurance engagement (paragraph 83 (c)).
- References to paragraphs in the *Framework for Assurance Engagements* have been replaced with the following explanatory guidance paragraphs:
 - ◆ preliminary knowledge of the assurance engagement circumstances prior to acceptance of an assurance engagement (paragraph 17);
 - ◆ characteristics of an appropriate subject matter has the following characteristics (paragraph 34); and
 - ◆ characteristics of suitable criteria (paragraph 36).
- This ASAE contains enhanced explanatory guidance on the level of documentation at paragraph 72 and explanatory guidance on modifications at paragraph 81.
- This ASAE contains footnote references to Auditing Standards (ASAs) that provide helpful guidance to assurance practitioners (paragraphs 13, 21, 26, 48, 57, 65, 66, 71, 79, 81 and 85).
- ISAE 3000 includes a Public Sector Perspective section. This ASAE does not include a separate section on the public sector as it is sector neutral.

Compliance with this Standard on Assurance Engagements enables compliance with ISAE 3000.