



ASSET

Accounting for Sustainability,
Social and Environmental Transparency

Sustainability Assurance according to ISAE 3000

Summary & preliminary
reading for Teaching
Module 2

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1 About this document

This document contains a summary of ISAE 3000, which is a standard that gives guidelines of how to conduct an assurance engagement. Additionally, it gives some context on the CSRD (Corporate Sustainability Reporting Directive) that includes the reporting requirements for the EU. Hence, this document gives you some information on the reporting requirements (CSRD) and on the “how to” regarding assurance engagement. This document is relevant for Teaching Module 2 – Sustainability Assurance of the ASSET project and should support you in solving the tasks. Please read through the document thoroughly before the ISP (1st week of September) starts.

2 The Context of Sustainability Assurance

With the implementation of the Corporate Sustainability Reporting Directive (CSRD), both sustainability reporting and the assurance thereon are about to be subjects of major changes. The Directive was adopted by the EU Parliament, Council, and Commission on November 10, 2022, it was published in the Official Journal of the EU on December 16, 2022 and it came into force on January 5, 2023. Until July 2024, the CSRD is to be transposed into national law and applies for reporting periods starting on or after January 1, 2024. Particularly, the following companies are required to prepare sustainability reports.

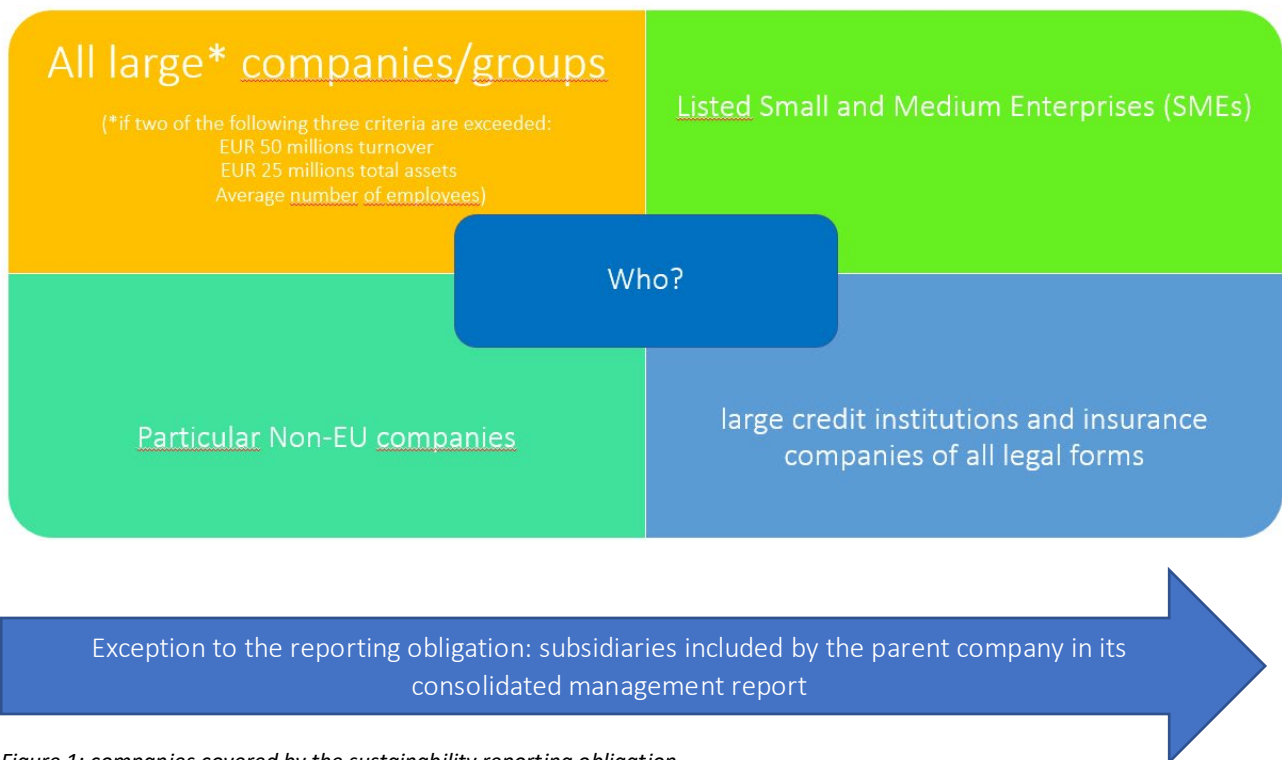


Figure 1: companies covered by the sustainability reporting obligation

When? (fiscal year = reporting period)			
2024	2025	2026	2028
Large listed companies (more than 500 employees)	Other large companies	Listed SMEs	Particular Non-EU companies
			Listed SMEs (use of opting out possibility)

Figure 2: start of the sustainability reporting obligation

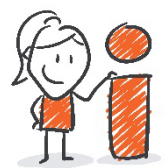
Sustainability information must now be disclosed in the management report, as the option for separate reporting on sustainability issues no longer applies. With the CSRD, the EU takes a pioneering role: integrated reporting becomes mandatory for all 27 member states.

Up to now, **the audit requirement for sustainability reporting was rather formal**: The auditor merely examined whether the non-financial statement or the separate non-financial report was prepared and, if the sustainability reports were part of the other information as defined by the International Standard on Auditing (ISA) 720 (Revised), the auditor had to read them and assess whether this information was consistent with the audited financial statements.

The current obligation to audit sustainability reports means that auditors face the task of a heterogeneous mass of information, with no detailed auditing procedure. So far, the International Standard on Assurance Engagements (ISAE) 3000 (Revised) has often been used for sustainability report audits. In response to the lack of auditing procedures in the sustainability context, the International Auditing and Assurance Standards Board (IAASB) has drafted an Exposure Draft (ED) for the International Standard on Sustainability Assurance (ISSA) 5000, which is currently in consultation and is expected to be finalized by September 2024. However, since ISSA 5000 has not reached its final shape yet, this teaching module will use the provisions of ISAE 3000 (Revised), as summarised below.

The aim of an annual audit is that the auditor expresses an opinion as to whether the annual or consolidated financial statements and the accounting records have been prepared, in all material respects, in accordance with the relevant accounting principles (e.g. IFRS). The **CSRD defines now specific objectives for the assurance of sustainability reports** and requires providers of assurance to express an opinion on:

1. Compliance with reporting standards: Whether the sustainability reporting complies with legal requirements, including standards for sustainability reporting (ESRSs);
2. Reliability and suitability of double materiality processes: Whether the procedures performed by the audited entity to determine the information to be reported in accordance with legal requirements and standards for sustainability reporting (materiality analysis procedures) comply with the requirements of these standards;
3. Electronic tagging: Whether the requirements for reporting in the single electronic reporting format according to Article 3 of Delegated Regulation (EU) 2019/15 (ESEF Regulation) have been met;
4. Following EU-taxonomy rules: Whether the reporting requirements according to Article 8 of the Taxonomy Regulation (EU Taxonomy Regulation) have been met.



The task of assurance providers in the sustainability context includes hence both the new core content of the CSRD and the derived standards for sustainability reporting, as well as electronic reporting (ESEF) and compliance with the Taxonomy Regulation. **Compared to current regulations, the audit obligation is significantly expanded.**

3 Limited versus Reasonable Assurance under CSRD

For financial years beginning on or after January 1, 2024, the CSRD requires a mandatory audit with initially **limited assurance** on sustainability reporting. Following an evaluation, the European Commission intends to **transition to an audit with reasonable assurance** and an associated increase in audit assurance. The assurance with a reasonable level of assurance is intended to raise sustainability information to a level comparable to that of a company's financial information.

A limited assurance engagement means that the assurance provider's summary reporting is in the form of a negative statement. The audit opinion states that **no matters have come to the attention of the assurance providers** that cause them to believe that the reported information has not been disclosed, in all material respects, in accordance with the reporting criteria. In a limited assurance engagement, the assurance providers will perform **fewer procedures** than in a reasonable assurance engagement, therefore the limited assurance requires **less work**. A reasonable assurance engagement requires extensive procedures, including the assessment of the reporting entity's internal controls and substantive testing.

An audit with **reasonable assurance** means that the risk of issuing a positive audit opinion despite material misstatements must be reduced to a sufficiently low level. The formulation of the audit opinion is positive and results in an opinion on the evaluation of the subject matter against predetermined criteria, including, if necessary, testing the effectiveness of internal controls. An assessment is made as to whether the subject matter of the audit has been prepared, in all material respects, in accordance with the established reporting criteria. Reasonable assurance is a **high level of assurance**, achieved when the assurance provider obtains sufficient appropriate audit evidence to reduce the risk of forming an inappropriate opinion. However, reasonable assurance is not an absolute level of assurance, because of the inherent limitations of any engagement.

A similar level of assurance should ultimately be achieved for both financial and sustainability reporting, but in the absence of a commonly agreed standard for the assurance of sustainability reporting, there is a risk of different interpretations and expectations of what a reasonable assurance engagement entails for different categories of sustainability information, particularly for forward-looking and qualitative disclosures. This is why the European Commission pursues an approach to progressively increase the required assurance for sustainability information with the CSRD. During the first years, assurance is to be provided on the basis of a mandate to obtain limited assurance. This should assess not only compliance with EU sustainability reporting standards, but also evaluate the process used by the company to determine the information reported in accordance with the relevant standards. It should also assess whether the company's reporting meets the reporting requirements under Article 8 of Regulation (EU) 2020/852.

Separate reporting on sustainability aspects outside of the management report is no longer allowed under the CSRD. On the one hand, the findability of sustainability-related information is to be improved; on the other hand, the uneven handling of the type of assurance on reported information in the management report may lead to an increase in the expectation gap of report recipients. As audit procedures to obtain limited assurance are planned for this new audit, the reliability of the audit assurance differs from those made for other parts of the management report.

4 The International Standard on Assurance Engagements (ISAE) 3000 Summary

The International Standard on Assurance Engagements (ISAE) 3000, issued by the International Auditing and Assurance Standards Board (IAASB), is a standard for assurance engagements other than audits or reviews of historical financial information. It provides guidelines for professional accountants, in performing different types of assurance engagements to enhance the degree of confidence of intended users in the subject matter.

Engagements that can be conducted under this ISAE include, for example, sustainability assurance engagements but also assurance on Corporate Governance reports or internal controls. Engagements on sustainability involve obtaining assurance on a report on the sustainability performance of the entity, prepared by management or experts appointed by the management.

4.1 Elements of an Assurance Engagement

- 1) **The three-party relationship:** an engagement involves the practitioner, a responsible party, and intended users
 - *Practitioner*—The individual(s) conducting the engagement (usually the engagement partner or other members of the engagement team, or, as applicable, the firm)
 - *Responsible party*—The party(ies) responsible for the underlying subject matter
 - *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

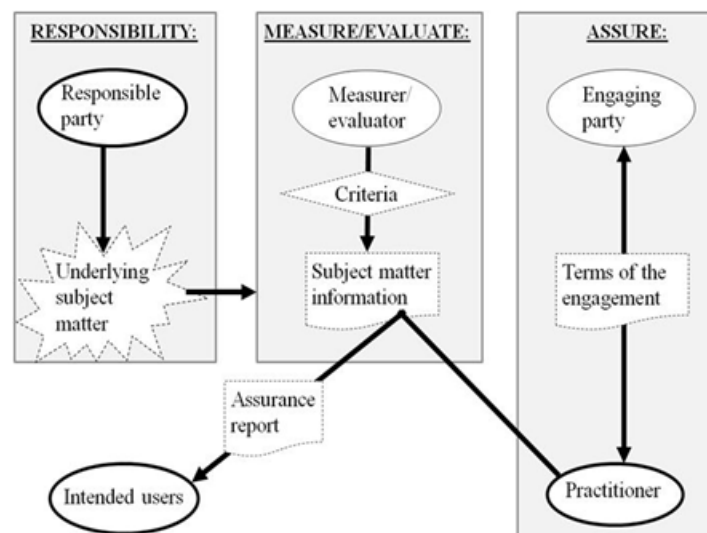


Figure 3: three party relationship within the assurance engagement¹

¹ Source of the graph: ISAE 3000 (Revised), Appendix 3, p 95, available at: https://www.iaasb.org/_flysystem/azure-private/publications/files/ISAE%203000%20Revised%20-%20for%20IAASB.pdf.

2) Subject Matter: the information or situation being measured or evaluated

In some cases, the subject matter information may be a statement that evaluates an aspect of a process, for example, “ABC’s internal control operated effectively in terms of COSO criteria during the period 2023”.

Exemplarily, Adidas auditor was assuring the correctness of their electronic files in accordance with ISAE 3000 (and a specific German assurance standard).

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (06.2022)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the “Group Auditor’s Responsibilities for the Assurance Work on the ESEF Documents” section. Our audit firm applies the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).



Figure 4: example Subject Matter - Excerpt from the Assurance Report of Adidas 2023

3) Criteria: benchmarks or standards used to measure or evaluate the subject matter.

- Criteria can be embodied in laws or regulations, or issued by authorized or recognized bodies of experts; in such cases they are called established criteria. However, other criteria may also be developed, if they are more suitable to meet specific information needs.
- Criteria need to be communicated to the intended users, in order for them to understand how the underlying subject matter has been measured or evaluated.
- Suitable criteria have following characteristics:
 - **Relevance:** the subject matter information assists intended users in their decision-making;
 - **Completeness:** subject matter information prepared in accordance with the criteria doesn’t omit relevant factors that could affect decisions of the intended users;
 - **Reliability:** Reliable criteria allow consistent measurement or evaluation of the underlying subject matter when used in similar circumstances by different practitioners;
 - **Neutrality:** Neutral criteria result in subject matter information that is free from bias;
 - **Understandability:** Understandable criteria result in subject matter information that can be understood by the intended users.

4) Evidence: information gathered to support the practitioner's conclusion

- The quantity or quality of available evidence is affected by the characteristics of the underlying subject matter, as well as by other circumstances. For example, evidence will be less objective when the subject matter information is future oriented, rather than historical.
- Evidence can be obtained by performing selected procedures, such as:
 - Inspection
 - Observation
 - Confirmation

- Recalculation
- Reperformance
- Analytical procedures
- Inquiry

Practitioners will select the procedures to be performed based on the nature of the underlying subject matter, the level of assurance to be obtained, and the information needs of the intended users, including relevant time and cost constraints.

Exemplary, the following procedures are regularly used to gather evidence for sustainability assurance:

- **Inspection:** *Inspecting the relevant documentation of the processes for collecting, analyzing and aggregating the data of the CapEx calculation (or any other calculation)*
- **Observation:** *observe interactions with employees*
- **Confirmation:** *request confirmations from business partners to verify information related to the supply chain*
- **Recalculation:** *recalculate various EU Taxonomy KPIs*
- **Reperformance:** *auditors (re)perform procedures that were originally done to evaluate relevant stakeholders*
- **Analytical procedures:** *evaluation of the materiality analysis including industry specific trends, carry out the GRI content index check*
- **Inquiry:** *surveys of responsible employees and management for understanding how sustainability issues was identified as well as how the materiality analysis went*



5) Assurance Report: the practitioner's written report containing the conclusion

The following example shows the introductory section of the Assurance report of Adidas² in line with ISAE 3000

To adidas AG, Herzogenaurach

We have performed an assurance engagement on the combined non-financial statement of adidas AG, Herzogenaurach, (hereinafter the "Company") for the period from 1 January to 31 December 2023 (hereinafter the "Combined Non-financial Statement") consisting of the sections of the combined management report denoted with [] and [].



In accordance with our engagement, we have divided the level of assurance to be obtained by us and

- performed a reasonable assurance engagement on the sections denoted with [] in the Combined Non-financial Statement and
- performed a limited assurance engagement on the sections denoted with [] in the Combined Non-financial Statement.

Not subject to our assurance engagement are the external sources of documentation or expert opinions mentioned in the Combined Non-financial Statement.

Figure 5: introductory section of the assurance report for Adidas 2023

² The annual report of Adidas for the business year 2023 is freely available at: <https://report.adidas-group.com/2023/en/assets/downloads/annual-report-adidas-ar23.pdf>. The excerpts can be found from page 297 onwards.

4.2 Objectives of an Assurance Engagement

As you can see in the example of Adidas, there are two different versions of assurance. One is named “limited” assurance, the other one “reasonable” assurance. Based on that “level” of assurance, the objectives of the practitioner in conducting the engagement 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;
- (c) To **communicate further** as required by this ISAE and any other relevant ISAE.

When reasonable assurance or limited assurance cannot be obtained and a qualified conclusion is insufficient in the circumstances, the practitioner should disclaim a conclusion or withdraw from the engagement, if possible.

4.3 Types of Assurance Engagements

Assurance engagements are engagements 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 about the subject matter information.

Assurance engagements can be classified on two dimensions:

- **Reasonable assurance** and **limited assurance** engagements
- **Attestation** engagements and **direct** engagements

The following graph shows the connection between evidence and level of assurance according to time and costs of the audit:

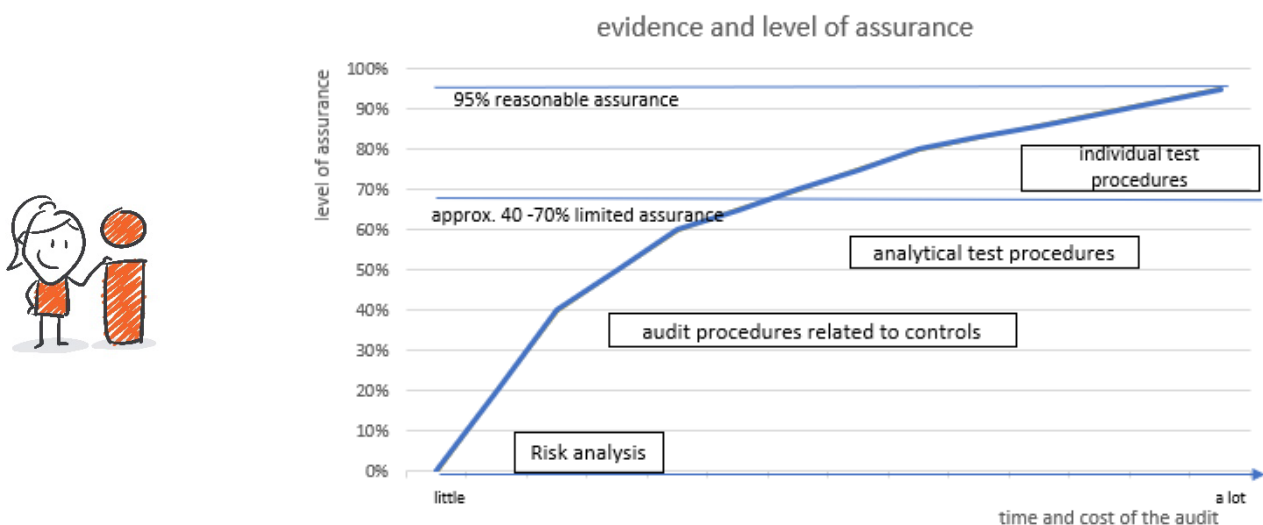


Figure 6: evidence and level of assurance

Reasonable vs. Limited Assurance Engagements

Reasonable assurance engagements are engagements in which the practitioner reduces engagement risk to an acceptably low level, as the basis for the conclusion. The conclusion is expressed in a positive form.

Limited assurance engagements are engagements in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement, but that risk is greater than for a reasonable assurance engagement. The conclusion is expressed in a negative form.

In a limited assurance engagement, the practitioner performs procedures that are less extensive than those necessary in a reasonable assurance engagement but are, nonetheless, planned to obtain a level of assurance that is meaningful. For example, in a **limited assurance engagement**, practitioners may place greater emphasis on inquiries of the entity’s personnel and analytical procedures, than on testing of controls and obtaining evidence from external sources. They may also select less items for examinations, perform fewer procedures, use aggregated data (e.g. quarterly, rather than monthly data), or design analytical procedures that support expectations regarding the direction of trends, relationships and ratios, rather than to identify misstatements with the level of precision expected in a reasonable assurance engagement.

5 Assurance process

The following figure summarizes the Assurance process:

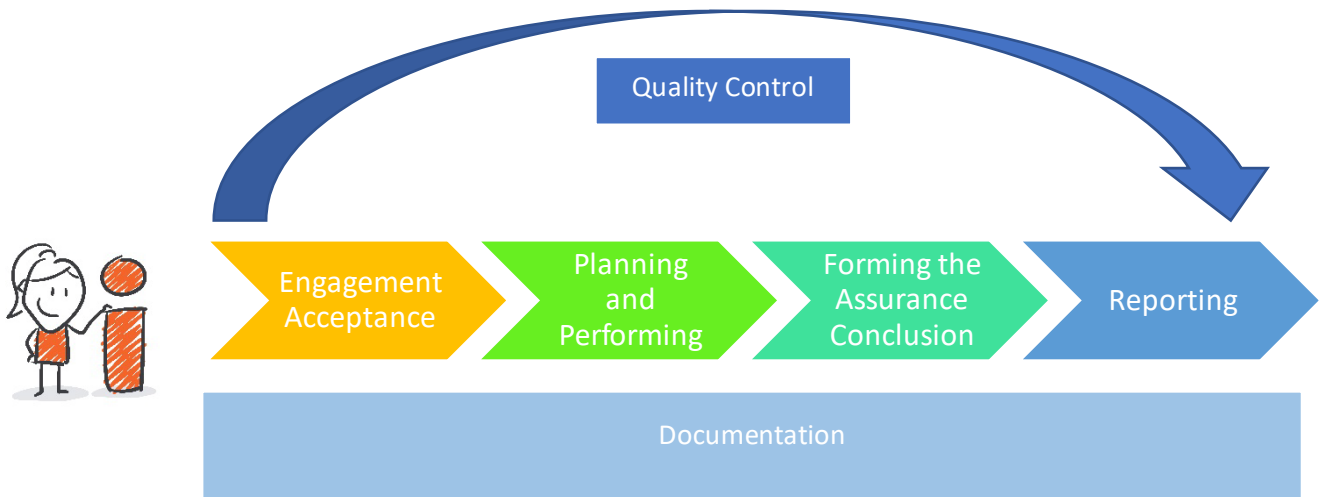


Figure 7: assurance process

5.1 Quality Control

Practitioners must implement quality control procedures at the engagement level, including the leadership responsibilities, ethical requirements, acceptance and continuance of client relationships and engagements, human resources, engagement performance, and monitoring.



5.2 Engagement Acceptance and Continuance

Practitioners must assess whether they have the competence, capabilities, and resources to undertake the engagement and whether the engagement is appropriately scoped.



Engagement
Acceptance

5.3 Planning and Performing the Engagement

The engagement will be planned so that it can be performed in an effective matter. Planning includes obtaining a detailed understanding of the engagement circumstances, the subject matter, and the criteria; assessing risks; designing and performing procedures to respond to the assessed risks; and obtaining sufficient and appropriate evidence.



Planning
and
Performing

In planning and performing the engagement, practitioners will maintain their professional scepticism. They will remain alert to the existence of circumstances that could cause the subject matter information to be materially misstated.

Professional scepticism is necessary to the critical evaluation of the collected evidence. It is practically an attitude that includes being alert to:

- Evidence that is inconsistent with other evidence;
- Information based on which documents and responses previously collected as evidence no longer seem to be reliable;
- Circumstances that suggest the need to perform additional procedures;
- Indications of misstatement.

Maintaining professional scepticism reduces the risk to overlook unusual circumstances, overgeneralize and use inappropriate assumptions in determining the nature, timing and extent of procedures.

One of the most important topics while conducting the assurance engagement is materiality.

5.3.1 Materiality

The nature, timing and extent of the procedures to be performed will also be determined by considering **materiality**. Materiality will also be considered when the practitioner evaluates whether the subject matter information is free from material misstatement.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence relevant decisions of intended users, taken on the basis of the subject matter information. The practitioner's consideration of materiality is a matter of professional judgment, and is affected by the practitioner's perception of the common information needs of intended users.

Materiality is considered in the context of **qualitative** factors and, when applicable, **quantitative** factors.

Qualitative factors may include such topics as:

- The number of persons or entities affected by the subject matter;

- The interaction between various components of the subject matter information when it is made up of multiple components, such as a report that includes numerous performance indicators;
- The characteristics of the presentation adopted for the subject matter information, when the applicable criteria allow for variations in that presentation;
- The nature of a misstatement, for example, the nature of observed deviations from a control, when the subject matter information is a statement that the control is effective;
- Whether a misstatement affects compliance with law or regulation;
- Whether a misstatement is intentional or unintentional;
- When a threshold or benchmark value has been identified, whether the result of the procedure deviates from that value etc.

Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter information, if any, that are expressed numerically.

5.3.2 Materiality and assurance procedures

Concluding on the materiality of identified misstatements requires professional judgment. For example, the entity may have complied with nine provisions of a relevant law or regulation, but did not comply with one provision. Professional judgment is needed to conclude whether the entity complied with the relevant law or regulation as a whole, depending on the significance of the provision with which the entity did not comply, as well as the relationship of that provision to the remaining provisions of the relevant law or regulation.

Following examples illustrate when **additional procedures may not be needed** because, in the practitioner's professional judgment, the identified misstatements appear not to be material:

- If materiality is 10,000 units, and the practitioner believes that a potential error of 100 units may exist, then additional procedures would generally not be required, unless there are other qualitative factors that need to be considered.
- If, in performing procedures over an area where material misstatements are likely, a response to one inquiry among many was not as expected, additional procedures may not be needed if the risk of a material misstatement is, nevertheless, at a level that is acceptable in the circumstances of the engagement, considering the results of other procedures.


Following examples illustrate when **additional procedures may be needed**, as the identified misstatements appear to be material:

- When performing analytical procedures, the practitioner may identify a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expected amounts or ratios.
- If the applicable criteria permit a 10% error rate and, based on a particular test, the practitioner discovered a 9% error rate, then additional procedures may be needed, because the risk of a material misstatement may not be acceptable in the engagement circumstances (the error rate is very close to the limit).

Based on the performed procedures, practitioners will gather information that will be used as evidence. This information should be evaluated in terms of relevance and reliability. If reliability can be doubted, or pieces of evidence obtained from different sources are inconsistent with each other, practitioners will consider how the procedures could be changed, or what additional procedures should be performed, in order to collect reliable information.

5.4 Forming the Assurance Conclusion

Practitioners need to conclude on whether the subject matter information is free from material misstatement.



Forming the
Assurance
Conclusion

Prior to forming the conclusion, they shall evaluate the **sufficiency and the appropriateness of the evidence** they had gathered. If the performed procedures were not able to produce sufficient appropriate evidence, or there is a scope limitation, practitioners should express a qualified conclusion, disclaim a conclusion, or withdraw from the engagement, where withdrawal is possible.

Evidence may come from internal or external sources, is based on information prepared by the practitioner, or by other experts employed in the engagement, and comprises both information that supports and corroborates the subject matter information, and information that contradicts aspects of the subject matter information.

The sufficiency and appropriateness of evidence are interrelated. **Sufficiency** is the measure of the **quantity of evidence**, and is influenced by the risk of material misstatements, as well as by the quality of the evidence: the higher the risk of material misstatements, the more evidence is required; the higher the quality of the evidence, the less evidence is required. **Appropriateness** is the measure of the **quality of evidence**; that is, its relevance and its reliability in providing support for the practitioner's conclusion. The reliability of evidence is mainly influenced by its source and by its nature. Following generalizations about the reliability of evidence may be useful, although exceptions may exist:

- Evidence is **more reliable** when it is **obtained from** sources **outside** the appropriate party(ies).
- Evidence that is **generated internally** is more **reliable** when the **related controls** are **effective**.
- **Evidence obtained directly** by the practitioner (for example, observation of the application of a control) is **more reliable** than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).
- Evidence is **more reliable** when it **exists** in **documentary form**, whether paper, electronic, or other media (for example, a contemporaneously written record of a meeting is ordinarily more reliable than a subsequent oral representation of what was discussed).

5.5 Reporting

The assurance report must be clear and provide the practitioner's conclusion in the appropriate form, and it should include information on the scope of the engagement, the subject matter, criteria, and any significant matters.



Reporting

To this end, the report needs to include, at a minimum, following basic elements:

- (a) **A title, indicating that the report is an independent assurance report**
 (b) **An addressee**

An addressee identifies the party or parties to whom the assurance report is directed. The assurance report is usually addressed to the engaging party, but, in some cases, there may be other intended users.

- (c) **An identification or description of the level of assurance obtained by the practitioner, the subject matter information and, when appropriate, the underlying subject matter**

Identification and description of the subject matter (information) may include, for example:

- The point in time or period of time to which the evaluation of the underlying subject matter relates;
- The name of the responsible party to which the underlying subject matter relates;
- An explanation of those characteristics of the underlying subject matter (information) of which the intended users should be aware, and how these may influence the precision of the evaluation of the underlying subject matter against the applicable criteria. For example:
 - The degree to which the subject matter information is qualitative versus quantitative, objective versus subjective, or historical versus prospective.
 - Changes in the underlying subject matter or other engagement circumstances that affect the comparability of the subject matter information from one period to the next.

- (d) **Identification of the applicable criteria**

The report identifies the applicable criteria against which the subject matter was evaluated, so the intended users can understand the basis for the practitioner's conclusion. It may be relevant to disclose:

- Whether the criteria are established criteria (embodied in law or regulation, or issued by a body of experts). If they are not established criteria, it should be described why they are considered suitable.
- What evaluation methods were used;
- What significant interpretations could be made;
Whether there were any changes in the evaluation methods.

- (e) *Where appropriate*, a **description of any significant inherent limitations** associated with the measurement or evaluation of the underlying subject matter against the applicable criteria.

- (f) **When the applicable criteria are designed for a specific purpose**, a statement alerting readers to this fact and that, as a result, the subject matter information may not be suitable for another purpose. Sometimes, the evaluation criteria are designed for a specific purpose; e.g. they may be prescribed by a specific regulator. In such cases, the report might not be suitable for another purpose and users should be warned about this.

- (g) **A statement to identify the responsible party and the measurer or evaluator if different**, and to describe their responsibilities and the practitioner's responsibilities

Intended users should be informed that:

- The responsible party is responsible for the underlying subject matter;
- The measurer or evaluator is responsible for the measurement of the underlying subject matter against the applicable criteria; and

- The practitioner is responsible for expressing a conclusion about the subject matter information.
- (h) A statement that the engagement was performed in accordance with ISAE 3000 or, where there is a subject-matter specific ISAE, that ISAE
- (i) A statement that the firm, of which the practitioner is a working for, applies **International Standard on Quality Management (ISQM) 1**³, or other quality requirements, that are at least as demanding as ISQM 1.
e.g. The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
- (j) A statement that the practitioner complies with the independence and other ethical requirements of the **IESBA Code**⁴, or other requirements on ethics that are at least as demanding as the IESBA Code
e.g. We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- (k) An **informative summary of the work performed as the basis for the practitioner's conclusion.**
 In a limited assurance engagement, the summary of the work performed shall state that the procedures performed are different in nature and timing and less extensive than for a reasonable assurance engagement, and consequently, the level of assurance obtained is substantially lower than the assurance of reasonable assurance engagement.

*It is **important** that the **summary** is **written** in an **objective way**, in order for the intended users to understand the work done as the basis for the practitioner's conclusion. In most cases, this will not involve detailing the entire work plan, but on the other hand it is important that the summary is not ambiguous. In a reasonable assurance engagement, the summary of the work performed is ordinarily more detailed than for a limited assurance engagement.*



The conclusion can be either "clean" or "modified"
 "clean": **NO material misstatements** were identified
 "modified": **material misstatements were identified**



- (l) The practitioner's **conclusion**:
 - In a **reasonable assurance engagement**, the conclusion shall be expressed in a *positive* form e.g. *"In our opinion, the entity has complied, in all material respects, with XYZ law"*.

"In our opinion, the forecast of the entity's financial performance is properly prepared, in all material respects, based on XYZ criteria".

"In our opinion, the [appropriate party's] statement that the key performance indicators are presented in accordance with XYZ criteria is, in all material respects, fairly stated".



³ ISQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Service Engagements

⁴ International Code of Ethics for Professional Accountants

- In a **limited assurance engagement**, the conclusion shall be expressed in a *negative* form, i.e. 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 that the subject matter information is materially misstated
e.g. *“Based on the procedures performed and evidence obtained, **nothing has come to our attention** that causes us to believe that [the entity] has not complied, in all material respects, with XYZ law.”*



*“Based on the procedures performed and evidence obtained, **we are not aware of any material amendments** that need to be made to the assessment of key performance indicators for them to be in accordance with XYZ criteria.”*

*“Based on the procedures performed and evidence obtained, **nothing has come to our attention** that causes us to believe that the [appropriate party’s] statement that [the entity] has complied with XYZ law, is not, in all material respects, fairly stated.”*

When appropriate, the conclusion shall inform the intended users of the context in which the practitioner’s conclusion is to be read.

Practitioners shall express a **modified conclusion**:

- In case of a **scope limitation with possible material effects**. This circumstance will lead to a **qualified conclusion** or a **disclaimer of conclusion**
- When the **subject matter information is materially misstated**. This circumstance will lead to a **qualified conclusion** or **adverse conclusion**

If both circumstances exist (scope limitation and material misstatement), the report will include a clear description of the two.

When the conclusion is modified, the assurance report shall contain:

- i. A section that provides a description of the matter(s) giving rise to the modification; and
- ii. A section that contains the practitioner’s modified conclusion.

The fact that the conclusion is modified will be more understandable for the intended users if the paragraph describing the modified conclusion has a descriptive heading, like e.g. “Qualified Conclusion,” “Adverse Conclusion,” or “Disclaimer of Conclusion” and “Basis for Qualified Conclusion,” “Basis for Adverse Conclusion”.

Examples of qualified and adverse conclusions and a disclaimer of conclusion are:

- **Qualified conclusion** (an example for limited assurance engagements with a material misstatement) – “Based on the procedures performed and the evidence obtained, **except for the effect of the matter described in the Basis for Qualified Conclusion section of our report**, nothing has come to our attention that causes us to believe that the [appropriate party’s] statement does not present fairly, in all material respects, the entity’s compliance with XYZ law.”
- **Adverse conclusion** (an example for a material and pervasive misstatement for both reasonable assurance and limited assurance engagements) – “Because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the [appropriate party’s] statement **does not present fairly** the entity’s compliance with XYZ law.”
- **Disclaimer of conclusion** (an example for a material and pervasive limitation of scope for both reasonable assurance and limited assurance engagements) – “Because of the significance of the matter described in the Basis for Disclaimer of Conclusion section of our report, **we have not been able to obtain sufficient appropriate evidence** to form a conclusion on the [appropriate party’s] statement. Accordingly, we do not express a conclusion on that statement.”



(m) The practitioner’s signature

The practitioner’s signature is either in the name of the practitioner’s firm, the personal name of the individual practitioner or both, as appropriate for the particular jurisdiction.

(n) The date of the assurance report

(o) The location in the jurisdiction where the practitioner practices.

5.6 Documentation

Documentation

Adequate documentation is required to provide evidence that the engagement was conducted in accordance with ISAE 3000 and to support the assurance report. It includes a record of the practitioner’s reasoning on all significant matters and related conclusions, and may include:

- Who performed and reviewed the engagement work and at what date;
- Discussions of significant matters with the appropriate party(ies) and others;
Issues identified with respect to compliance with relevant ethical requirements, as well as independence requirements and how they were resolved etc.



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