

### **3. STRUCTURING ASSURANCE ENGAGEMENTS**

How do standards and guidance help professional accountants provide assurance? What are the practical considerations when structuring an assurance engagement?

# 3. STRUCTURING ASSURANCE ENGAGEMENTS

## 3.1 Introduction

The primary users of this section, which outlines key considerations in developing the structure of an assurance engagement, and section 4, which addresses the delivery of assurance engagements, are those practitioners who carry out assurance engagements and those who instruct the practitioners to carry out the service. Familiarity with the breadth of potential assurance engagements and the key components of the assurance framework enables the practitioner to work with their client and the other stakeholders to design an assurance engagement that meets users' needs.

Assurance reporting may be requested in relation to the operations of a different party, for example an outsourced service provider. In this situation the client is normally the user, with the responsible party as the outsourced service provider. More details on the three-party relationship are given in 3.4.

## 3.2 Scope and positioning

The IAASB's Framework defines and describes the elements and objectives of assurance engagements. More detailed engagement standards set out basic principles, essential procedures and related guidance, and support the application of the Framework in practice.

The elements of assurance in the Framework are required to be present in any assurance engagement. Consideration of those elements assists practitioners to structure an assurance engagement with their clients where no standard or guidance on the specific subject matter exists. An overview of the elements of assurance engagements was provided in 2.4.1:

- a three-party relationship;
- an appropriate subject matter;
- suitable criteria;
- sufficient appropriate evidence; and
- a written assurance report.

These concepts are considered further in this section.

Discussion with clients when scoping an assurance engagement is an important process. It should help the practitioner to obtain a sound understanding of the objective of the engagement, the nature of the subject matter, and the requirements of both the client and users. This understanding helps the practitioner plan procedures to gather sufficient and appropriate evidence to come to a conclusion that is useful in the light of the users' need. The practitioner should note that it is possible to obtain assurance on almost any subject matter (or subject matter information) provided that the scope of the assurance engagement is in line with the relevant standards eg, the method of measuring or evaluating the subject matter is appropriate, criteria are suitable, and sufficient and appropriate evidence exist. However, an assurance engagement may not always represent the optimal approach from a cost benefit perspective. Other approaches, such as AUP, may achieve the required outcome with less effort on the part of both management and the practitioner.

To commence an assurance engagement, the practitioner will need to outline engagement standards with the client. International engagement standards issued by the IAASB include:

- ISAs (International Standards on Auditing) or ISREs (International Standards on Review Engagements) – on historical financial information.
- ISAEs (International Standards on Assurance Engagements) – on any subject matter other than historical financial information.

In addition, the IAASB issues International Standards on Related Services covering non assurance services such as AUP and compilation engagements.

ISAE 3000, *Assurance engagements other than audits or reviews of historical financial information* applies to subject matters that are not covered by subject-specific engagement standards. Subject matter specific assurance standards include ISAE 3402 relating to financial internal controls of service organisations and ISAE 3410 relating to greenhouse gas emission statements.

**Table 2: Existing standards and guidance for various subject matter areas**

Assurance area/subject matter area	Assurance standard(s)/guidance
Quantitative information, including financial information and performance measures such as KPIs	ISAs, ISRE 2400, ISRE 2410, ISAE 3000, ISAE 3420, SIR 4000, AAF 02/06, AAF 03/06
Aspects of information technology such as information flows and security	ISAE 3000, ITF 01/07
Management information flows	ISAE 3000
Regulatory processes and compliance	ISAE 3000
Compliance with contractual agreements	ISAE 3000
Operations and projects, including outsourced operations	ISAE 3000, SSAE 16, ISAE 3402, AAF 01/06
Governance, strategy and management processes	ISAE 3000, AAF 01/06 Stewardship Supplement
Environmental information	ISAE 3000, ISAE 3410
The internal controls and internal control environment	ISAE 3000, ISAE 3402, AAF 01/06
Risk management systems and processes	ISAE 3000
Ethics and behaviour	ISAE 3000
Financial processes	ISAE 3000, APB Bulletin 2011/2
Greenhouse gas emission statements	ISAE 3410

Details on standards and guidance referenced above are provided in Appendix 2. The table in Appendix 2 also provides ‘vignettes’ to illustrate the variety of services that may be provided.

### 3.3 Business activities

#### 3.3.1 Context

Owners and managers are engaged in activities to fulfil the objectives of the organisation. Management has a responsibility for the design and implementation of appropriate processes. The board of directors, or where applicable, the audit committee, or their equivalents such as the board of trustees in non-corporate environments, has responsibility for the governance of the organisation. Within this environment, assurance can play a key role in enhancing stakeholder confidence over operations within the scope of the engagement.

#### 3.3.2 Management responsibility<sup>3</sup>

Management, who may also be owners, are responsible for running the business. Accordingly, they are responsible for the subject matter on which an assurance conclusion is sought. Before entering into an assurance engagement, owners and management need to be confident in positively asserting that the business is meeting the relevant objectives, is compliant with relevant contractual and other legal and regulatory obligations, operational and/or reporting processes are designed appropriately and operated effectively, and data is complete and accurate. If management themselves are unsure of whether the subject matter is meeting its objectives or unable to support this assertion with evidence, there is little point in entering into an assurance engagement.

In an assurance engagement, it is usual for the responsible party, normally management, to measure the subject matter and report in the form of subject matter information on the outcome of the measurement of the subject matter. Reporting of subject matter information

<sup>3</sup> As explained in section 1, ‘Management’ may refer to senior management, executive management, the board of directors, or in certain cases, those charged with governance, depending on the context. Here the term is used to refer to those with responsibility for the subject matter.

by the responsible party is a prerequisite for such ‘attestation’ engagements. This is because management is accountable to the owners or those charged with governance for how they run the business or for aspects in which business partners are interested.

In other cases ie, where management does not produce the information on the subject matter, the practitioner gives a conclusion directly on the subject. In either case, management is responsible for the underlying assertions on the subject matter. If management is not producing the subject matter information which incorporates its assertions, management assertions may be issued in a stand-alone statement alongside the assurance report by the practitioner.

### 3.3.3 Four stages of management responsibilities<sup>4</sup>


Practitioners need to identify a series of basic concepts for how owners or management together with those charged with governance operate and control the business or organisation. The concepts set out below may be more formalised and better documented within larger organisations. Within small or medium sized businesses and other organisations these concepts may be established as an integral part of the intentions and actions of the owners and managers but may not be systematically documented.

These four concepts are:

1. Leading and establishing the tone at the top.
2. Establishing strategy and aligning objectives.
3. Implementing processes, policies and procedures.
4. Utilising information flows to monitor the performance of the business or operations.

The way that owners and management run the business affects the nature of the assurance engagement, as different owners and management may have different ideas to what aspect of their business should be looked at by a practitioner, what should be used as criteria, to whom the report should be addressed, and what evidence may be available. The degree of monitoring of management as evidenced through documentation also affects the nature and scope of assurance engagement. The relationship between the four management concepts/activities and the focus of different assurance engagements is summarised in the following figure.

**Figure 2: Assurance reporting on different aspects of management activity**

	Management activity	Subject matter aspect				
		Data and outcome	Operating effectiveness	Design	Fair description	Comprehensive report
	Monitoring the process and control effectiveness	✓	✓	✓	✓	✓
	Process and control implementation	✗	✓	✓	✓	
	Establishing strategy and objectives	✗	✗	✓	✓	
	Tone at the top	✗	✗	✗	✓	

For any level of management activity it is possible for an assurance engagement to focus on a range of subject matter aspects as indicated.

Leadership and tone at the top of the organisation, or key elements of this, may best be approached through the practitioner providing an opinion on the fairness of a description of what the management has set out to do thus far. This is because, initially, the design suitability and the operating effectiveness of the arrangements may not withstand external scrutiny due to the pervasive and wide ranging ramifications within the organisation.

As strategy and relevant objectives are better developed, the arrangement may become sufficiently formalised and enable assurance reporting over the design suitability of the arrangements in place.

<sup>4</sup> Here, ‘management’ will normally refer to the executive management and / or the board of directors as appropriate.

Process implementation and monitoring lends itself to assurance over operating effectiveness. An assurance engagement may then focus on either the operating effectiveness of the processes or the data and outcomes measured against criteria as part of monitoring by management. At this stage, the entire arrangement enables management to report comprehensively on its activities for the benefit of the intended users, which may be the subject matter information for the assurance engagement.

The different management activities and related focus of assurance engagements can be regarded as a progression such that more comprehensive assurance is provided as the management and governance of the entity increases in sophistication over time.

From the practitioner's point of view, the main factors affecting the practitioner's approach to an assurance engagement will be further defined by a number of factors, in particular the needs of the users:

- Who will benefit from or use the information?
- Why do they require assurance?
- What is their underlying need?

Answers to these questions and consideration of how the five elements of assurance engagements (3.2) apply in each engagement setting will help in structuring assurance engagements.

## CASE STUDIES: Scope

	Performance metrics	Assurance over operational systems	UK Stewardship Code compliance
<b>Scope</b>	<p>The company's auditors were approached to discuss what assurance they might be able to provide to include in their published report. The company was able to provide:</p> <ul style="list-style-type: none"> <li>• Detailed analyses and evidence showing how the objectives linked to the metrics.</li> <li>• Explanations as to why certain metrics had been chosen and others not.</li> <li>• For each metric, what data had been used, from within the company, drawn from independent bodies such as BARB, and obtained from contractors operating systems for the company.</li> </ul> <p>The company, however, did not have a documented version of the methodology.</p>	<p>The audit partner suggested that an assurance report could be provided to existing customers over the operation of the systems run by the company. This was based around:</p> <ul style="list-style-type: none"> <li>• The company agreeing with its customers a set of control objectives for the relevant systems.</li> <li>• The company documenting the systems in a way that enabled controls to be related back to relevant objectives in a structured way.</li> <li>• The design of the systems to be evaluated and a report provided to the company to enable them to address any control weaknesses. This report would be shared with the existing customers and include the management actions being taken by the company.</li> <li>• A programme of testing designed to enable the practitioner to provide a reasonable assurance opinion over the design suitability of the controls of the company for a defined period that would be copied to the customers.</li> </ul>	<p>The practitioner and the asset manager discussed and agreed that the asset manager is ready to adopt minimum assurance reporting and focus on a fair description of how the principles of the Code have been applied.</p> <p>While there are seven principles in the Code, only four of these, including its management of conflicts of interest and voting activities, are considered suitable for objective evaluation. The scope of assurance report is thus determined to focus on these four objectives.</p>

### 3.4 Three-party relationship

Assurance engagements envisaged in this guidance involve three parties: the responsible party, users, and the practitioner. The responsible party performs operations or provides information for the benefit of or relevant to users. It is responsible for the subject matter over which assurance is sought. Users are typically the recipients of services, assets or information of the responsible party, although in some cases the relationship between users and a responsible party may not merely be one-way.

The practitioner is engaged to perform an assurance engagement in relation to the subject matter or the subject matter information that the responsible party is responsible for. Either the responsible party or users, or in some circumstances both, may engage the practitioner as shown in 3.4.4.

#### 3.4.1 The responsible party

The responsible party is responsible for the subject matter and subject matter information where produced. Where there are two organisations (such as an assurance engagement assigned by a service provider), the responsible party typically performs operations or provides information for users in a manner usually governed by a written contract. However, the relationship between the responsible party and users is not always contractual or clearly defined.

#### 3.4.2 Users

Users are the parties that are affected by the activities of the responsible party. In a business context, users may be in a contractual relationship with the responsible party which performs specific activities for their benefit. Where appropriate, users may also receive information in relation to the operations of the responsible party. The type of the operation performed or information provided by the responsible party, the number of users, how they want the information reported and the criteria used will vary. An assurance engagement may be performed in relation to all users or may be restricted to specific users. Where an assurance report is intended for specific users, the assurance report clearly indicates that fact.

In some cases, there may be users that are unidentified at the start of the engagement. This may happen where, for example, the responsible party intends to publish the assurance report on its website. Where this is the case, the risk of the assurance report being received by those who are not party to the engagement, and therefore do not fully appreciate the purpose of the report, may increase. The practitioner's duty of care therefore needs to be clearly reflected in the engagement letter, in the assurance report and throughout the conduct of the engagement. See AAF 04/06 for further guidance.

#### 3.4.3 The practitioner

The practitioner agrees with the engaging party the scope of the engagement, the reporting requirements and ensures that there is appropriate access to the personnel and information of the responsible party and, if applicable, external parties including the users.

The practitioner's responsibilities will vary depending on who the engaging party is and their needs. To a degree, those responsibilities and needs will be driven by whether the engaging party is the responsible party, the users or both. The practitioner considers whether the responsibilities have been defined to an appropriate level, including the nature of the deliverables, when accepting an engagement.

In an assurance engagement, the practitioner is responsible for determining the nature, timing and extent of procedures so as to gather sufficient and appropriate evidence. He also pursues, to the extent possible, any matter of which he becomes aware and which leads him to question whether a material modification should be made by the responsible party to the subject matter information or to their assertions and to consider the effect on the assurance report if no modification is made.

#### 3.4.4 Parties involved in an assurance engagement

The form of engagements may differ depending on who is involved in the assurance process.

Figure 3: Engagement with the responsible party

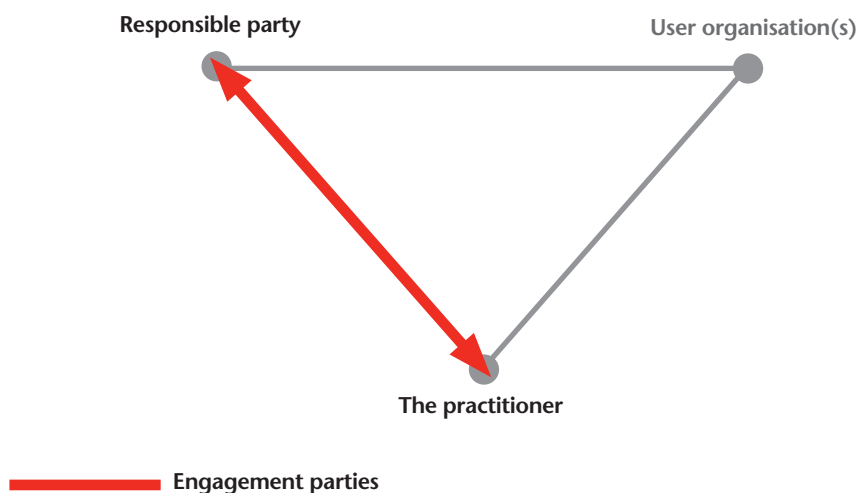


Figure 2 illustrates a form of engagement where the responsible party engages the practitioner. The practitioner performs an engagement to provide an assurance report over the subject matter or subject matter information. This will typically be with the objective of increasing the confidence of current users, or where so agreed prospective users, in the responsible party’s activities. The responsible party will often have contractual obligations to current users and may also be expected to comply with industry or other standards. It also has responsibilities to the practitioner in relation to the performance of the assurance engagement. Examples of these responsibilities and the potential consequences for the practitioner arising from them are set out in 4.2.3 under ‘Where the **responsible party** is the client’.

In this type of engagement, users may be identified or unidentified, existing or prospective, or combinations of these. Where users are unidentified, the practitioner accepts an assurance engagement only where a typical user is identifiable in the context of the engagement and the assurance report. This is because, without a reasonably definable user or user group (such as ‘investors’), the practitioner may not be able to determine the suitability of the criteria against which to assess the subject matter or the subject matter information. The practitioner considers the issues related to his duty of care see 4.2.3.

Figure 4: Engagement with the users

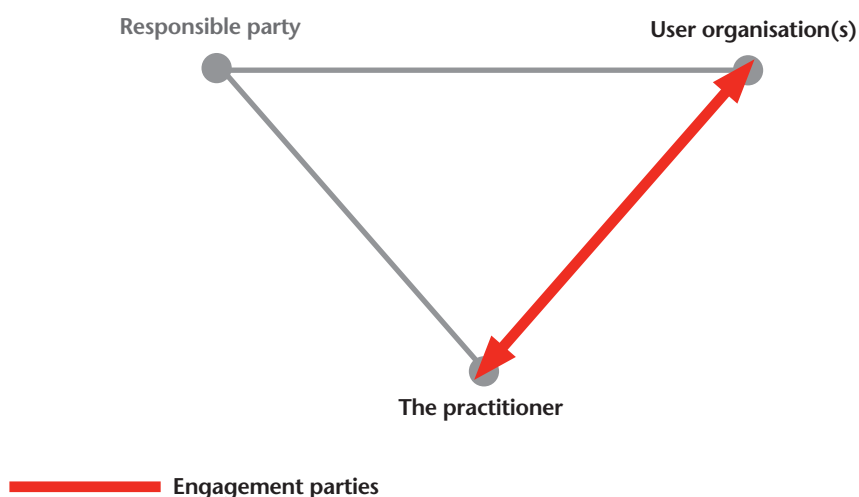
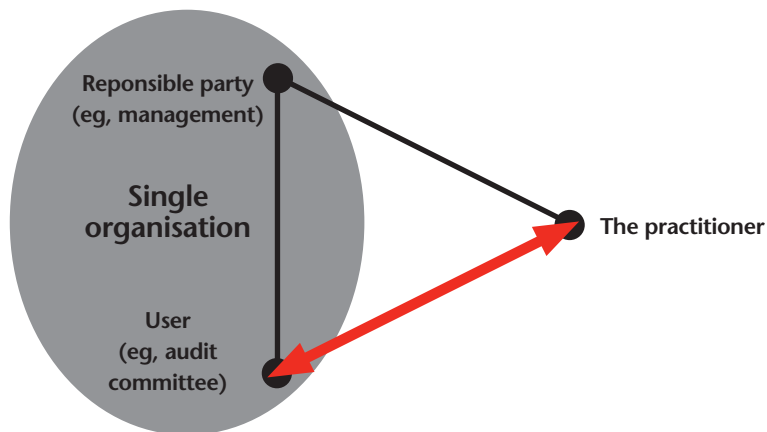


Figure 3 shows an engagement where one or more users contract with the practitioner to assess the operations of the responsible party with the objective of increasing the users’ confidence over the activities of the responsible party. In this type of engagement, the responsible party has contractual (or other) obligation to the users, and the users have responsibilities to the practitioner in relation to the assurance engagement. Examples of these responsibilities and the potential consequences for the practitioner arising from them are set out in 4.2.3 under ‘Where the users are the client’.

**Figure 5: Engagement where the responsible party and the users are within the same organisation**



While it is less usual for the responsible party and users to be from the same organisation, this situation can arise. In most cases, the responsible party or users anticipate or have in mind external users who would be interested in the subject matter, subject matter information, or relevant assurance reporting, regardless of whether an assurance report they commission would be made available to them. For example, annual reports contain a range of detailed disclosures. Such disclosures are intended for shareholders and the statutory audit provides a degree of assurance over them. However, due to the relative sensitivity or importance of a specific aspect of disclosures, the audit committee may decide to obtain an assurance report on that aspect. Such an assurance report may be issued solely for the benefit of the audit committee; however, the practitioner may be asked to bear the needs of the shareholders in mind when considering matters such as the criteria and materiality.

In this type of assurance engagement, the practitioner needs to consider at the outset whether the engagement is feasible. The main risks involved may be that:

- The client wishes to pass on the entire risk of misstatement to the practitioner.
- It is only the users who are able to provide appropriate representations regarding the subject matter, for example where only directors have the legal capacity to make representations on behalf of the company. Accordingly, the practitioner may appear to bear the primary risk arising from a misstatement.

In such situations, especially in the case of direct reporting assurance engagements, it is important to understand the context of the proposed engagement and to establish whether, and if so how, these risks can be managed in different circumstances. Examples of how such risks might be dealt with include:

- Clarifying in the engagement letter mutual expectations as to who bears the risk and how it is to be borne.
- Establishing whether appropriate representations are capable of being made by the responsible party and confirming both this and the impact on mutual expectations as to who bears the risk and how it is to be documented in the engagement letter.
- Establishing that additional representations will be sought from the users that they have provided all information they possess that may be relevant to an assessment of the subject matter to the responsible party and all information they possess that may be relevant to the assurance report to the assurance practitioner.
- In the case of direct assurance reports, establishing that a private attestation statement addressed by the responsible party to the users will be provided to the assurance practitioner by the users together with a representation that they are not aware of any information to indicate the attestation statement is misstated.

### 3.5 Subject matter

Practical matters impacting the ability of a practitioner to evaluate the subject matter, and in particular how management handles information they generate internally, are considered in 3.3.3. In the context of assurance engagements, the practitioner may ask more detailed questions, such as:



- How well developed is management control over the subject matter?
- What degree of documentation is available regarding the subject matter?
- What is the most cost effective way to address the needs of the users and achieve an appropriate degree of credibility over the subject matter?

Depending on these factors, an assurance engagement may focus on a different aspect or aspects of a subject matter or subject matter information, such as:

- Fairness of description of the subject matter or criteria in place.
- Design of processes where relevant (eg, business activities, control procedures).
- Operating effectiveness of processes where relevant.
- Outcome (eg in terms of the compilation or calculation of data outcomes based on input data and processes used).
- A comprehensive report (eg, a report that may include elements of all of the above with an overall view of the subject matter from management).

In addition, the focus of an assurance engagement will depend on matters such as user needs, suitable criteria and the availability of evidence. For example, the engaging party may be interested in the financial performance of an organisation. The subject matter information may, as in a financial statement audit, be the numerical information which is the outcome of the financial performance. It is equally possible that management is interested in the organisation's financial reporting process and asks the practitioner to evaluate its report on internal control processes. For example, in the case of greenhouse gas emissions, management may choose to ask the practitioner to focus on:

- the fairness of the description on its policy and method of measuring the emissions;
- the design effectiveness of the emission measurement procedures;
- the effective operation of the emission measurement procedures;
- the accuracy of the measurement of the emissions; or
- the emissions report.

As stated in 3.3.3, the maturity of the organisation's arrangements can have a significant impact on the nature of what the practitioner can give an assurance conclusion on.

For example, an engagement that focuses solely on controls and processes may lend credibility to how the input data or transactions are processed, but does not directly give any assurance conclusion on the data or outcomes. However, an engagement that focuses solely on substantive evidence and the evaluation of data or outcomes says little as to the reliability of the underlying systems of control or the robustness or sustainability of the processes involved. Accordingly it is important for the practitioner to understand both the brief from the engaging party as well as the needs of the users.

At times this can mean that practicalities prevent the users' needs from being fully met. For example, a user may be ultimately interested in obtaining assurance on the data or outcome. The relevant data may be calculated by processes that are well documented and capable of being tested for design and operating effectiveness. Where obtaining the input data may be extremely difficult or disproportionately costly, assurance over the output data may not be practical. However, it may still be possible to evaluate the design and the operating effectiveness of the processes for calculating the output data, combined with a limited sample of input and output data reconciliation. This may be sufficient for the users' needs in the first instance.

An example is provided by the development of assurance reporting on stewardship. Assurance guidance developed in conjunction with stakeholders was issued as a supplement to AAF 01/06, *Guidance on assurance reports on internal controls of service organisations*. While AAF 01/06 covers the fairness of description, design suitability and operating effectiveness of internal controls, the subsequent **stewardship supplement** to AAF 01/06 focuses on the fairness of description of stewardship compliance by asset managers. The reduced scope was considered appropriate as this was a new subject matter and it is hoped that subsequent reports may cover design and operating effectiveness as this type of reporting develops over time.

The nature of the subject matter also affects what may be important in the context of delivering the assurance engagement. For example, in 3.3.3 we considered the various stages of management responsibility, but these are not discrete stages. For example, compare two potential assurance engagements: one relating to assurance over data; another concerning regulatory matters

which are primarily behavioural in nature. In the case of an assurance engagement on data, while the practitioner needs to consider the tone at the top, much of the practitioner's work may focus on the design and operation of control procedures together with some analytical review and substantive testing. On the other hand, in the case of behavioural compliance, the tone at the top will be of much greater importance. This is because the tone at the top will impact more directly on the behaviour of staff which is the subject matter of the assurance engagement.

### 3.6 Criteria

Assurance engagements require the practitioner to express an overall conclusion on the subject matter assessed in reference to specified criteria. Criteria also assist the parties to the engagement and agreed recipients of the assurance report to understand how the practitioner has evaluated the subject matter to reach a conclusion. Criteria are dependent on the subject matter and may be already established or developed for a specific engagement.

Criteria may be developed specifically for the engagement where there are no suitable established criteria. In this case, the practitioner considers whether specifically developed criteria are 'fit for the purpose' of the engagement using characteristics discussed below; see 3.6.1. In certain circumstances, the practitioner may also consider consulting with the responsible party and, where appropriate, the users, to ensure that the criteria meet their needs before proceeding with an engagement.

Criteria need to be available to all the addressees identified in the assurance report. Established criteria are often publicly available. If the criteria are not publicly available, for example because they are contained in the terms of a contract, this would affect who can access the assurance report.

#### 3.6.1 Characteristics of criteria

The practitioner assesses the suitability of criteria for the purpose of a specific assurance engagement. Suitable criteria as set out in the IAASB Assurance Framework exhibit the following characteristics:

- **Relevance:** relevant criteria contribute to conclusions that assist decision making by the intended users of the assurance report.
- **Completeness:** criteria are sufficiently complete when relevant factors that could affect the conclusions in the context of the engagement circumstances are not omitted. Complete criteria include, where relevant, benchmarks for presentation and disclosure.
- **Reliability:** reliable criteria allow reasonably consistent evaluation or measurement of the subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by similarly qualified practitioners.
- **Neutrality:** neutral criteria contribute to conclusions that are free from bias.
- **Understandability:** understandable criteria contribute to conclusions that are clear, comprehensive, and not subject to significantly different interpretations.

Established criteria tend to be formal in nature, but the degree of formality depends on the subject matter. Criteria in areas such as compliance with legal or regulatory requirements may be widely recognised, either because they are available to the public or because there is an established standard, for example, ISO/IEC 27001 (information security management) and the COSO framework (internal control). Performance criteria may be set out in contractual arrangements as agreed with the users. It is not unusual for established criteria to be customised to meet users' needs

The practitioner considers the suitability of the criteria, even where established criteria are available, to ensure their relevance to the needs of the intended users of the assurance report.

## CASE STUDIES: Criteria

	Performance metrics	Assurance over operational systems	UK Stewardship Code compliance
<b>Criteria</b>	<p>The practitioner concluded that:</p> <ul style="list-style-type: none"> <li>• The subject matter of this report was clear: a range of metrics and associated descriptions.</li> <li>• The criteria would be clear provided that the company wrote up its methodology which reflects the established industry standard.</li> <li>• The engagement would require the methodology to be evaluated to ensure that it was fit for purpose.</li> <li>• The methodology would need to be published to be available to those who receive the report.</li> </ul>	<p>The practitioner concluded that:</p> <ul style="list-style-type: none"> <li>• The subject matter of this report was clear: the effective operation of the systems operated on behalf of the customers</li> <li>• The criteria would be clear provided that agreement could be reached between the specific customer and the company on the process objectives.</li> </ul>	<p>The principles and guidance of the Code provide the criteria for the asset manager’s policy statement. The fairness of the description will be assessed in terms of their relevance, completeness, reliability, neutrality and understandability.</p>

### 3.7 Evidence

The practitioner plans and performs an assurance engagement with an attitude of professional scepticism to obtain sufficient appropriate evidence about whether the subject matter information satisfies the criteria or is free of material misstatement. With evidence, the practitioner aims to reduce the risk of issuing an inappropriate conclusion over the subject matter or subject matter information. This is called the assurance engagement risk.

The practitioner considers materiality with a view to determine whether the errors and deficiencies identified reach, in terms of size or nature, a degree such that they need to qualify their conclusion. Materiality differs in each engagement context: its determination requires a comprehensive understanding of user needs: whether the users would change the way they act, (eg, to challenge the responsible party regarding its conduct), to use or incorporate information produced by the responsible party, to renew a contract, to provide funds, or to allow the responsible party access to a membership association.

Assurance engagement risk is always present in these engagements and cannot be entirely eliminated. Insufficient, or unsuitable evidence, *inter alia*, would increase the risk. Therefore the practitioner considers the quantity and quality of available evidence when planning and performing the engagement; in particular when determining the nature, timing and extent of evidence-gathering procedures and assessing the evidence obtained.

### 3.8 Assurance report

The practitioner provides a written report containing an assurance conclusion on the subject matter or subject matter information. Reports for assurance engagements that are compliant with ISAE 3000 include a number of basic elements as set out in 4.5.2. The practitioner tailors these elements for the specific engagement depending on the subject matter and, where appropriate, considers a qualified conclusion. In addition, the practitioner considers other reporting responsibilities, including communicating with those charged with governance where it is appropriate.

It would be unusual, but not impossible, for a single report to cover more than one subject matter. It is relatively straight-forward and relatively common for a report to cover more than one aspect of a single subject matter.

Where the subject matter information comprises a number of aspects of a single topic, separate conclusions may be provided on each aspect. This is achieved by clearly identifying each aspect separately in the:

- scope of the assurance report, including the:
  - level of assurance being provided,
  - description of which reporting standard is being applied and
  - criteria being used;
- description of the work performed; and
- conclusion to the report.

Accordingly, not all the conclusions need to relate to the same extent of evidence-gathering procedures. Each conclusion is clearly expressed in the form that is appropriate to whichever type of assurance is required – reasonable or limited. Such structures are used where the subject matter is wide-ranging, such as in Corporate Responsibility reports, and the users' needs are relatively complex.

By contrast, although a report could address and include conclusions on a range of differing subject matters such as certain quantitative information (KPIs), the state of regulatory compliance and the quality of financial controls, this can be confusing to the recipient of the assurance report. This may be because each subject matter would have a different user or would require different criteria and evidence gathering methods. It may be more appropriate and avoid confusion for recipients to receive separate reports on each subject matter.

The IAASB Assurance Framework states that the practitioner expresses a qualified or adverse conclusion or a disclaimer of conclusion where:

- the practitioner concludes that there is not sufficient appropriate evidence to support an assurance conclusion due to the limitation on the scope of the practitioner's work (qualified or disclaimer);
- the responsible party's assertion or the report on the subject matter is materially misstated (qualified or adverse); or
- after accepting the engagement, the criteria or subject matter turns out to be inappropriate for an assurance engagement (qualified, adverse or disclaimer).

The practitioner may also need to consider withdrawing from the engagement when necessary. Further discussion on practical issues related to assurance reporting is provided in Section 4.5.