



# Other assurance and audit related engagements

Presentation by:

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# Presentation agenda



- ☐ Introduction
- ☐ International Standards on Assurance Engagements (ISAEs)
- ☐ International Standards on Review Engagements (ISREs)
- ☐ International Standards on Related Services (ISRS)

# Introduction- Overview of IFAC Standards



IFAC (IRBA) Code of Ethics and International Standard in Quality Control (ISQC 1)				
International Framework for Assurance Engagements			Related Services	
Audits and Reviews of Historical Financial Information		Assurance Engagements other than Audits or Reviews of Historical Financial Information		
<b>ISA</b> International Standards on Auditing	<b>ISRE</b> International Standards on Review Engagements	<b>ISAE</b> International Standards on Assurance Engagements	<b>ISRS</b> International Standards on Related Services	
Reasonable Assurance	Limited Assurance	Reasonable or Limited Assurance	No Assurance	

# Going beyond the financial statements



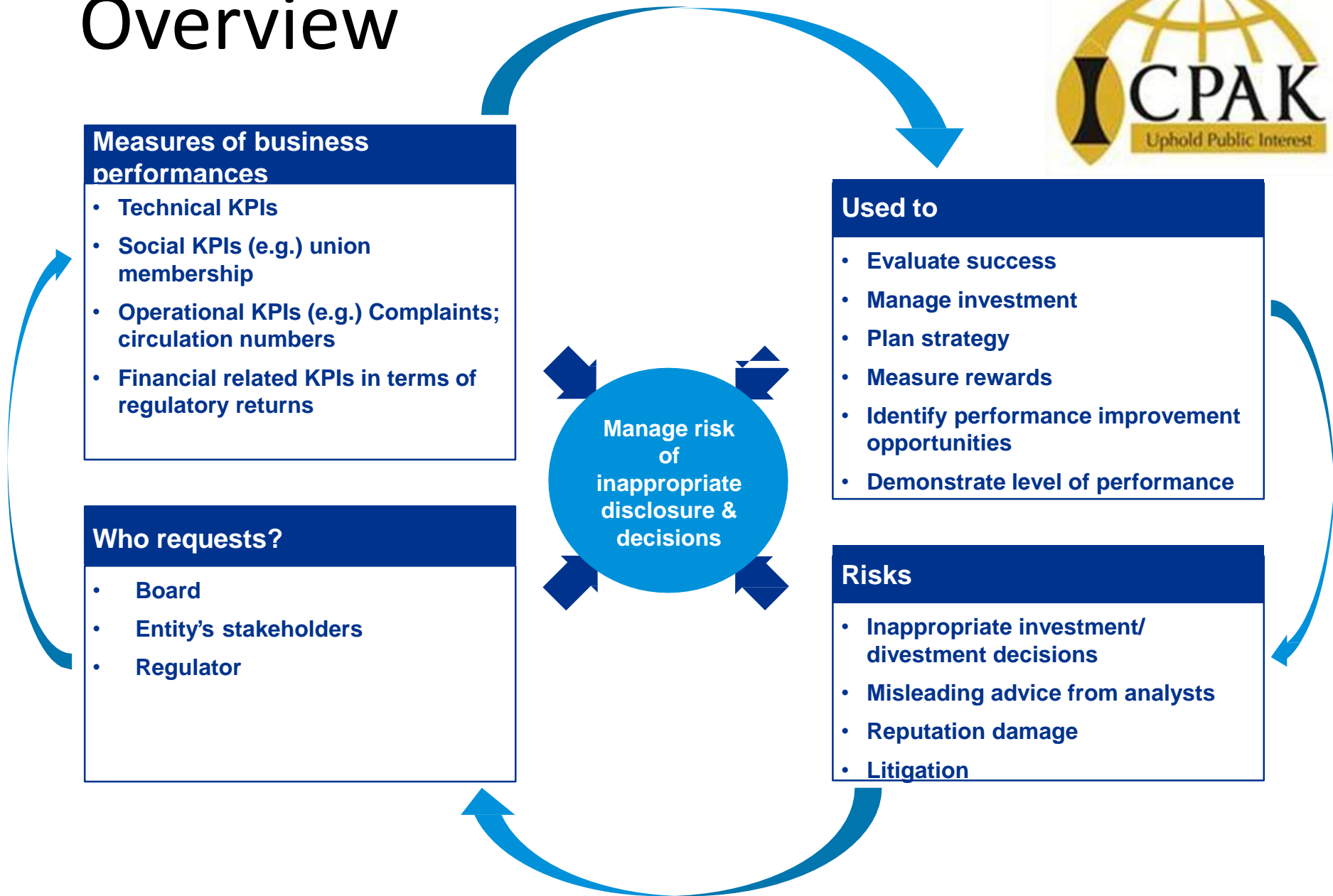
Delivering more of what matters for  
our stakeholders and our business

[https://portal.ema.kworld.kpmg.com/audit/Flash2/  
DA\\_Animation.htm](https://portal.ema.kworld.kpmg.com/audit/Flash2/DA_Animation.htm)

“Auditors can rebuild trust in the financial markets through assurance beyond financial statements.”

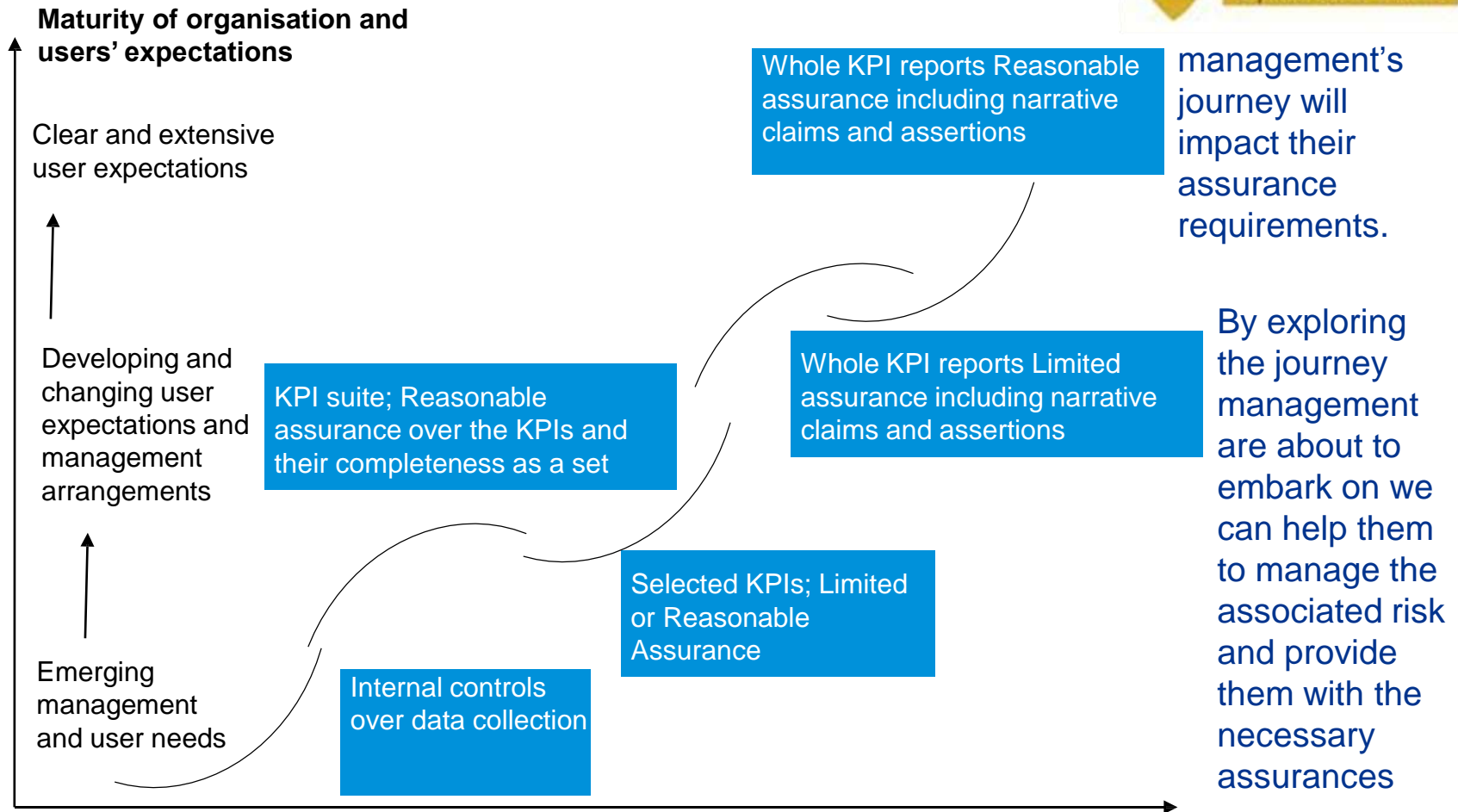
George Medcraft – Chairman,  
Australian Securities &  
Investment Commission

# Overview

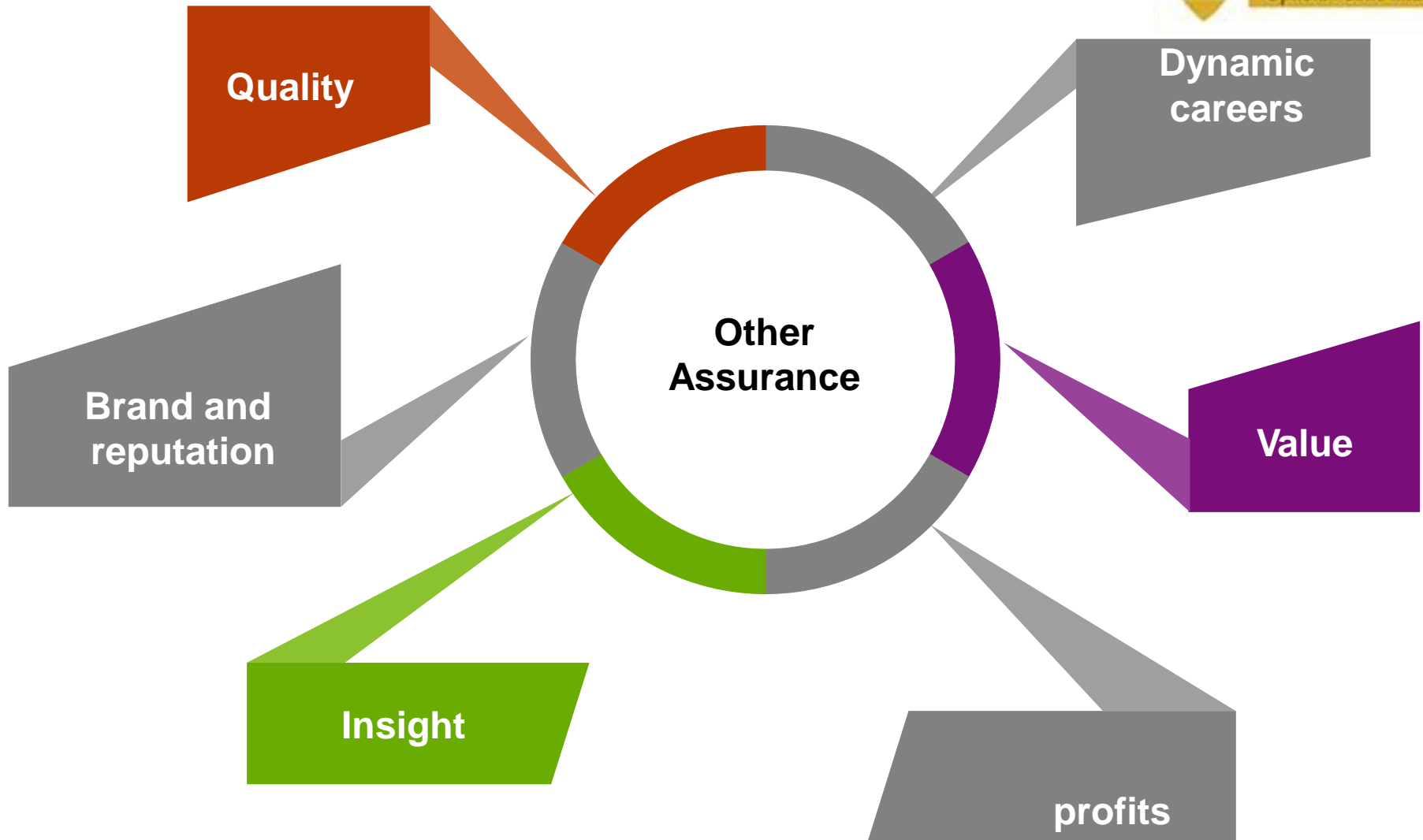


# Client's reporting journey

## KPI Assurance Journey



# Benefits of other assurance



# **International Standards on Assurance Engagements (ISAEs)**



# ISAEs



International Standard on Assurance Engagements (ISAE) 3000,  
“Assurance Engagements Other than Audits or Reviews of  
Historical Financial Information”

International Standard on Assurance Engagements (ISAE) 3402,  
“Assurance Reports on Controls at a Service Organization”

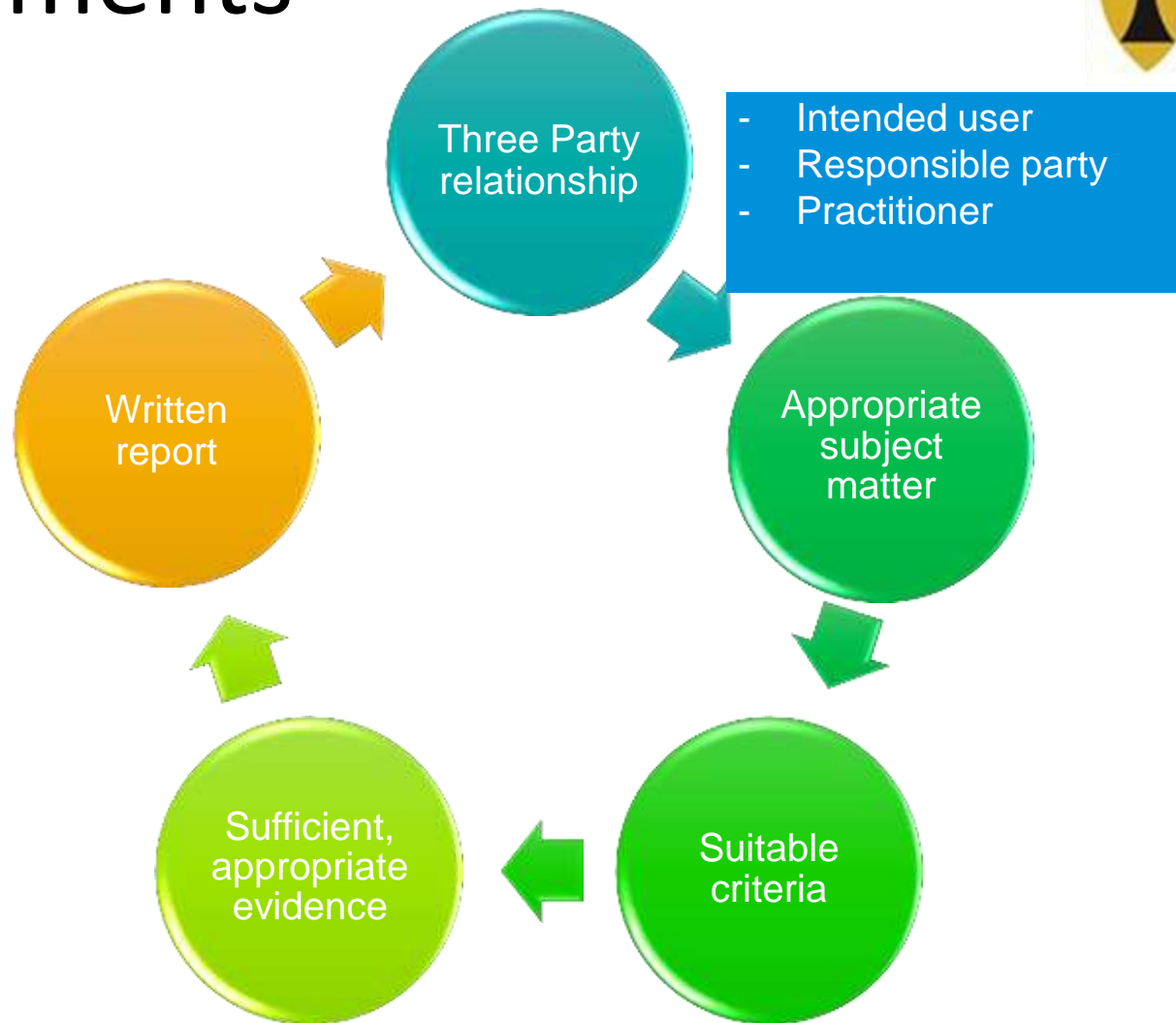
# ISAE 3000



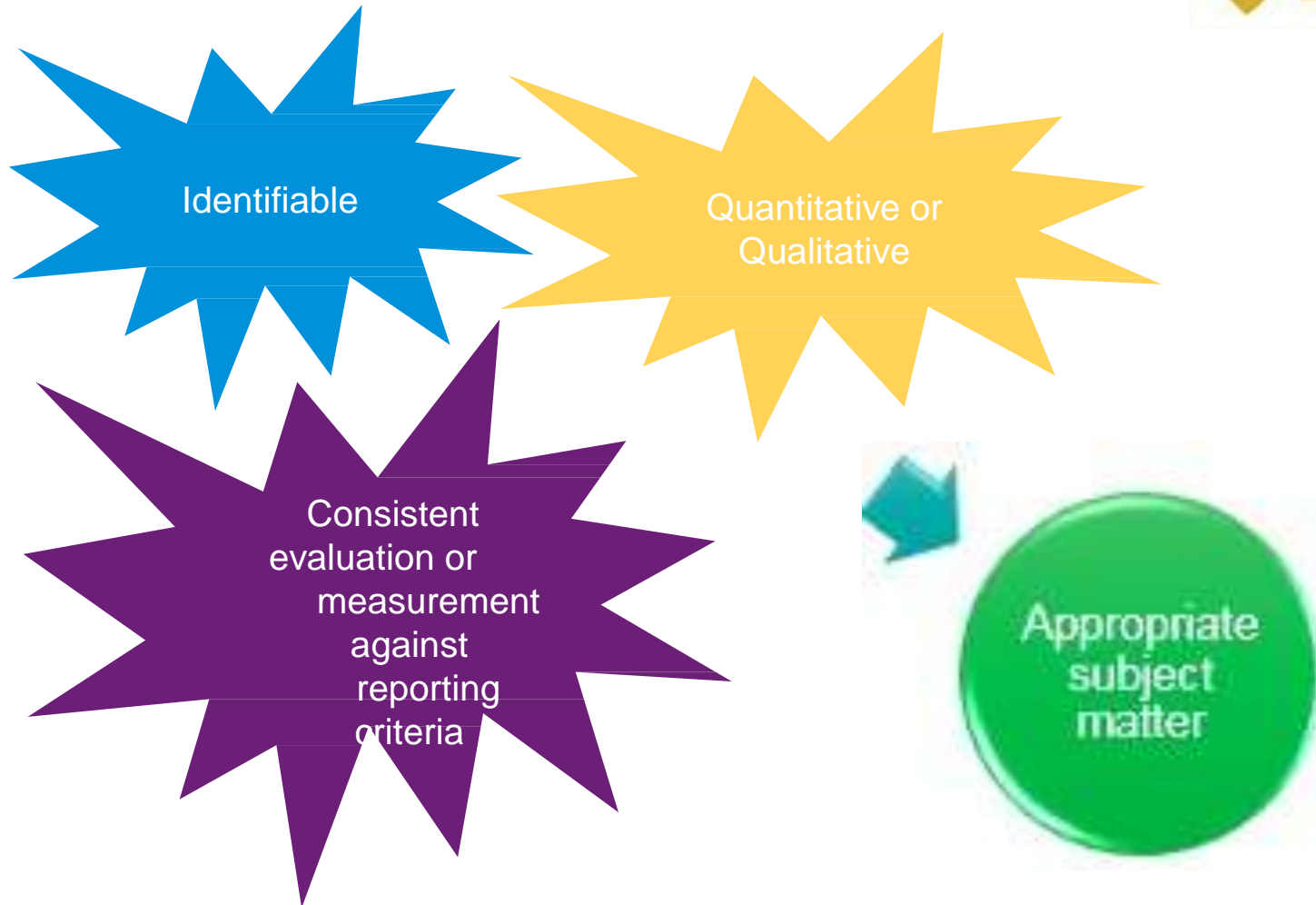
International Standard on Assurance Engagements (ISAE) 3000 - Assurance Engagements Other than Audits or Reviews of Historical Financial Information is for the purpose of:

**performance of assurance engagements other than audits or reviews of historical financial information covered by International Standards on Auditing (ISAs) or International Standards on Review Engagements (ISREs)**

# 5 Elements of Assurance Engagements



# Subject Matter



# Criteria



- Identified by law or regulation
- Internally developed
- Specifically designed to meet need of specified intended users

- Relevance
- Completeness
- Reliability
- Neutrality
- Understandability

- Publically available & generally understood
- Properly described and made available to users

Suitable  
criteria

# Example



Network Company A wishes to include the following statement in their advertising campaign:

**“Fastest growing data network”** This is based on the following:

- a) having access to the largest number of base stations
- b) the largest customer base growth
- c) data revenue growth.

Based on y-o-y growth rates for the 12 months ending 31 March 2016, Company A is far ahead of competition:

- \* Competitor B: +7.0%
- \* Competitor C: +23.4%
- \* Competitor D: +50.6%
- \* Network Company A: +72.1%

The client wants an independent substantiation of this claim in case stakeholders question the validity of the claim.

Would you accept the above engagement?  
Provide your reasoning to support your answer, taking into account aspects of  
subject matter and criteria.

# Levels of assurance



**Reasonable assurance** is high but not absolute assurance. The nature and extent of our work enables us to express a reasonable assurance conclusion (like an audit opinion), for example that a newspaper's circulation data has been prepared, in all material respects, in accordance with the regulator's calculation methodology.

**Limited assurance** is not a fixed, clearly defined level of assurance, but instead stands on a sliding scale. There is a range of possible levels of evidence to support a limited assurance conclusion which is still meaningful.

Thus limited assurance required more judgment in respect of:

- Whether the level of assurance provided is meaningful to the intended users.
- The nature and extent of procedures performed , and
- Whether the evidence obtained is sufficient.

**The quality of the information needs to be of the same standard irrespective of level of assurance**

# Limited vs Reasonable



## Reasonable assurance

- Specific level – high but not absolute
- Sufficient and appropriate evidence to support this level of assurance
- Similar to financial audit principles
- Identify and assess risks of material misstatement
- Design and perform procedures to respond to assessed risks
- Obtain an understanding of internal controls- Evaluate the design and implementation of relevant controls
- Nature of procedures (inquiry, inspection, re-performance etc.)
- Positive conclusion “....in all material respects in accordance is....”

## Limited assurance

- No specific level - range of acceptable levels
- Less than for reasonable assurance
- Meaningful in the circumstances (subject matter, needs of user, engaging party, relevant time and cost constraints)
- Identify areas where a material misstatement in subject matter is likely to arise
- Design and perform procedures to address areas identified.
- Understand the process used to prepare subject matter- Nature of procedures described in assurance report to give context to reader
- Nature of procedures may be the same as for reasonable assurance, reduced extent- likely to need to visit at least one operating site
- Negative conclusion – *“Nothing has come to our attention....”*



# Factors to consider



- The terms of the engagement.
- The characteristics of the subject matter and the identified criteria.
- The engagement process and possible sources of evidence.
- The practitioner's understanding of the entity and its environment.
- 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.

# ISAE- Reports



# ISREs



International Standard on Review Engagements (ISRE)  
2410, “Review of Interim Financial Information Performed  
by the Independent Auditor of the Entity

International Standard on Review Engagements (ISRE)  
2400 (Revised), *Engagements to Review Historical  
Financial Statements*,

# ISRE- Procedures



- ❑ Understanding the Entity and its Environment, Including its Internal Control;
- ❑ Identify the types of potential material misstatement and consider the likelihood of their occurrence; and
- ❑ Select the inquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with IFRS.

# ISRE- Reports



# Materiality Factors



## **Quantitative - Threshold:**

- ❖ Sector reported on
- ❖ Relative importance of KPIs in respective context
- ❖ Type of indicator
- ❖ Determination methodology
- ❖ Relationship of reported performance to target/ goals
- ❖ Reported trend over time

## **Qualitative – Factors**

- ❖ Misstatement of facts that may reasonably be considered important for reflecting the significant economic, environmental and social impacts of an organisation,
- ❖ Contains an unsubstantiated generalisation,
- ❖ Represents a selective and biased way of reporting,
- ❖ Contains a misrepresentation of significant trends or key performance indicators

# Interactive Session



# Contacts



Thank you

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