



Committee: IAASB Consultative Advisory Group

Meeting Location: London

Meeting Date: September 14–15, 2010

Compilations and Reviews — ISRS 4410 and ISRE 2400—Report Back and Issues and IAASB Task Force Proposals

Objectives of Agenda Item

1. The Objectives of this Agenda Item are:
 - (a) To provide a report back on proposals of the Representatives on this project as discussed at the March 2010 CAG Meeting.
 - (b) To obtain the Representatives' views on key issues to be discussed by the IAASB at its September 2010 meeting in relation to proposed revised ISRS 4410¹ and ISRE 2400².

Papers to Be Referred to during Discussion

2. The discussion of the topics presented in this Agenda Item will follow the structure of this CAG Paper.
3. This Paper contains references to CAG Agenda Item D.1, in respect of the discussion of compilation engagements. Hyperlinks presented at the end of this CAG Paper to the following IAASB September 2010 meeting papers are for reference purposes only:
 - **Compilations:** Engagements to Compile Financial Statements—Issues and IAASB Task Force Proposals; and Draft of Proposed Revised ISRS 4410, *Engagements to Compile Historical Financial Information*, dated September 2010 (Markup from June). (IAASB Agenda Items 2-A and 2-C respectively)
 - **Reviews:** Engagements to Review Financial Statements—Issues and IAASB Task Force Proposals; and Draft of Proposed Revised ISRE 2400, *Engagements to Review Historical Financial Statements*, dated September 2010 (reference purposes only – not for discussion by IAASB). (IAASB Agenda Items 4-A and 4-B respectively)

¹ International Standard on Related Services (ISRS) 4410, “Engagements to Compile Historical Financial Information.”

² International Standard on Review Engagements (ISRE) 2400, “Engagements to Review Historical Financial Statements.”

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Project Status and Timeline

4. The IAASB will be asked to approve an Exposure Draft for the proposed revised ISRS 4410 at its September 2010 meeting. Accordingly, the draft of proposed revised ISRS 4410 has been included as Agenda Item D.1.

5. The IAASB will discuss key issues relating to proposed revised ISRE 2400 at its September 2010 meeting.
6. The Appendix to this paper provides a project history, including links to the relevant CAG documentation.

Background

7. The IAASB project Task Force met in March, April, May, June, July and August to develop the draft revised ISRS 4410 and ISRE 2400, by both teleconference and in physical meetings.
8. The Task Force discussed developments in relation to the project with the CAG Working Group which is monitoring the project by teleconference, on 24 June and 31 July. The purpose of these calls was to keep the CAG Working Group informed about developments subsequent to the June 2010 IAASB meeting, and in the period leading up to the September CAG meeting.

March 1-2, 2010 CAG Discussion

9. Below are extracts from the draft minutes of the March 2010 CAG meeting,³ and an indication of how the project Task Force or IAASB has responded to the Representatives' comments.

Representatives' Comments	Task Force/IAASB Response
COMPILATION ENGAGEMENTS	
Representatives expressed general support for the draft standard on compilation engagements. Mr. Johnson: - Noted that the wording used to describe	

³ The minutes will be approved at the September 2010 IAASB CAG meeting.

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<p>activities undertaken in a compilation should convey that presentation of financial information, in an agreed manner or form, is the activity that is common to all compilation engagements.</p> <ul style="list-style-type: none"> - Agreed with the Task Force's view that the practitioner should resign from a compilation engagement without providing financial information or any report when the practitioner considers that financial information being compiled in the engagement is misleading as presented. - Recommended the inclusion in the practitioner's report of a statement that the engagement has been performed in accordance with relevant ethical requirements. 	<p>Point accepted.</p> <p>See paragraphs 16(a) and 17(b) read with paragraphs A4 and A14 of Agenda Item D.1</p> <p>Point accepted.</p> <p>See paragraphs 39 read with paragraphs A61 and A62 of Agenda Item D.1</p> <p>Point accepted.</p> <p>See paragraphs 41(e) and Appendix 2 (Examples 1-3) of Agenda Item D.1</p>
REVIEW ENGAGEMENTS – GENERAL COMMENTS	
<p>Mr. Attolini commented that the IFAC SMP Committee sees the review as an assurance product that can be specifically addressed to small and medium entities, for use by audit-exempt entities that require assurance but where having an audit is too costly. With this in mind, he encouraged the Task Force to develop the revised review standard without requiring an excessive number of procedures to perform a review.</p> <p>Mr. Diomeda expressed the hope that reviews will become established as a new, more cost-effective form or assurance for entities that are not required to be audited.</p>	<p>Point accepted.</p> <p>The IAASB understands the need keep the number of requirements in the proposed revised ISRE 2400 to a minimum. However, the revised ISRE 2400 is intended to be a stand-alone assurance engagement standard, and accordingly the standard will contain requirements and related application material covering all aspects of the engagement, including: Ethics; quality control; engagement acceptance and continuance; performance and reporting requirements.</p> <p>Refer to paragraph 6 of March 2010 CAG Agenda Paper, paragraph 6, which states:</p> <p><i>"The revised standards being developed have a focus on addressing the needs of various types of audit-exempt entities, such as small and medium-sized entities (SMEs) and non-public interest</i></p>

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<p>Mr. Baumann noted that there is likely to be significant user expectations gaps surrounding reviews, and specifically confusion about what a review delivers.</p>	<p><i>entities, for services other than audits.”</i></p> <p>and</p> <p><i>“Review and compilation services are particularly suited for use by SMEs. They are relatively straight-forward (depending on individual entity circumstances) and cost-effective...The revised standards for these services aim to establish the essential requirements for consistent performance of reviews and compilations on an international basis.”</i></p> <p>Point accepted.</p> <p>The project Task Force has explored this issue at length and is attempting to create as much clarity as possible about what a review engagement delivers, given the nature of a limited assurance engagement.</p> <p>There is, however, a level of unavoidable risk that users will not fully appreciate the limitations of a limited assurance engagement regardless of the form of the practitioner’s conclusion provided.</p>
<p>Mr. Diomeda expressed agreement with the approach of establishing separately the requirement to obtain sufficient knowledge and understanding about the entity and its environment to be able to perform the review – this presentation of the requirements better highlights what is a key element of a review engagement.</p>	<p>Point accepted.</p> <p>The IAASB has agreed that there should be a separate requirement in proposed revised ISRE 2400 about the practitioner obtaining sufficient knowledge and understanding of the entity, and understanding of the applicable financial reporting framework, to be able to perform the review in accordance with the remaining requirements of proposed revised ISRE 2400.</p>
<p>REVIEW ENGAGEMENTS – Distinguishing reviews from audit engagements</p>	
<p>Mr Baumann noted the risk in promoting use of reviews, as they could undermine demand for audits. This risk may be greater if there is confusion about</p>	<p>Point accepted.</p> <p>The IAASB continues to examine ways to</p>

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<p>what each type of assurance engagement delivers.</p> <p>Mr. Johnson agreed, saying that while the relative cost-effectiveness of the review is a clear distinguishing factor, the differences between reviews and audits need to be very apparent to users as you would not want confusion in the market for assurance services, for example where users would opt for reviews when they really should be requesting audits. He emphasized there are greater risks associated with reviews.</p>	<p>communicate with users of assurance services to promote wider understanding of the different types of assurance services, including reviews vs. audits of financial statements. The IAASB is striving to ensure that the distinction between audits and reviews of financial statements is as clear as possible.</p> <p>Further, the project Task Force has established clear requirements when practitioners should not accept an engagement to perform a review, for example: When the practitioner cannot see that there is any rational purpose for the engagement; or when the practitioner knows that the information produced by the entity's accounting system is likely to be unreliable; or if management imposes a limitation on the scope of the review.</p>
<p>REVIEW ENGAGEMENTS – Form of the Conclusion Expressed by the Practitioner</p>	
<p>Mr. Koltvedgaard re-iterated his concern that the negative form of the expression of the practitioner's conclusion in a review may not be sufficiently well understood by users. He explained that if users and regulators cannot understand the form of the conclusion provided for a review they are likely to continue to request audits, and not reviews. He encouraged the Task Force to develop a report that clearly communicates what the review service is, rather than what it is not, for the benefit of users of review reports. Mr. Pickeur agreed, saying that the engagement report needs to clearly described what has been done in the engagement and the practitioner's conclusion based on the results obtained from that.</p> <p>Mr. Bradbury and Ms. Sucher suggested alternative wording that might be explored to help phrase the practitioner's conclusion in somewhat more positive</p>	<p>Point accepted.</p> <p>The IAASB has provided suggestions to the project Task Force on many different forms of positive expression of both the work effort and the conclusion expressed for a review engagement. The use of positive expressions of review conclusions has also been thoroughly explored by the Task Force. However, the IAASB has concluded that the risk associated with expression of the review conclusion in a positive form is too great – specifically that there is an unacceptably high risk that the review conclusion would be equated with an audit opinion. The best way to clearly signal the limited assurance nature of the review is through the negative expression of the practitioner's review</p>

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Representatives' Comments	Task Force/IAASB Response
terms.	<p>conclusion.</p> <p>In many markets for assurance services where reviews are already in use, the negative form of expression of the practitioner's conclusion has a wide level of market acceptance. In jurisdictions where reviews may be undertaken for the first time in accordance with proposed revised ISRE 2400, domestic standards setters and regulators that require reviews may need to devote extra attention to promoting communication and dialogue with users about the nature of reviews, and the reasons why the review conclusion expressed by the practitioner is expressed in the negative form.</p>
Mr Koltvedgaard encouraged the Task Force to include in the Explanatory Memorandum for the Exposure Draft, a question that asks respondents to comment on whether the review report containing a conclusion on the financial statements expressed in the negative form, as set out in the draft standard, is understandable for users.	Point accepted.
REVIEW ENGAGEMENTS – Practitioner's Response when Unable to Complete the Review/Unable to Obtain Sufficient Appropriate Evidence to Provide the Basis for a Conclusion	
Mr Johnson said that in view of the fact that practitioners are engaged to report, they should provide a report explaining that the engagement has not been completed and why. Ms. de Beer noted that in some countries reviews will be mandated under applicable laws and regulations, and the practitioner will not be able to withdraw without providing a report.	<p>Point accepted.</p> <p>The IAASB has agreed that the practitioner should be able to issue a report for the engagement containing a disclaimer of conclusion. There is one circumstance when withdrawal from the conclusion should remain the required response from the practitioner. That is when management imposes a limitation on the scope of the review during the course of the engagement, because that circumstance will ordinarily affect the practitioner's ability to complete the</p>

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Representatives' Comments	Task Force/IAASB Response
	engagement under the proposed revised ISRE 2400. If law or regulation prohibits the practitioner's withdrawal from the engagement even in that circumstance, then the practitioner would disclaim a conclusion on the financial statements and state the reasons for the disclaimer in the practitioner's report.
Mr. Upton explained that there are some circumstances where withdrawal is the most appropriate course of action for the practitioner – for example when the client withholds information relevant for performance of the review from the practitioner. The practitioner's ability to withdraw provides an important incentive that the practitioner can use to obtain management co-operation.	Point accepted. See discussion above.

Matters for CAG Consideration

10. The project Task Force requests Representatives' views on the key issues outlined below regarding the proposed revised ISRS 4410, and proposed revised ISRE 2400.

A. Proposed Revised ISRS 4410 - Engagements to Compile Financial Information

A.1 Compiling the Financial Information – activities undertaken by the practitioner and related requirements in proposed revised ISRS 4410

11. In the course of developing revised ISRS 4410 and hearing comments provided on earlier drafts, the project Task Force decided that the focus of the requirements specified for the practitioner in the standard should be on activities that relate to assisting management of the entity in presenting the financial information in accordance with the applicable financial reporting framework.

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12. Accordingly, the statement of the practitioner's objectives in a compilation engagement (paragraph 16 of Agenda Item D.1) and the definition of the word 'compile' for the purpose of proposed revised ISRS 4410, emphasize that that practitioner's activities in a compilation engagement performed under ISRS 4410 are directed to the presentation of the entity's financial statement in accordance with an applicable financial reporting framework.

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13. Application material in paragraphs A4 and A14 explains that the practitioner may perform other types of activities to assist management with preparation of financial information, such as collecting, classifying and summarizing prior to presentation. However, those activities are not the subject of the proposed revised ISRS 4410.

Matters for CAG Consideration

Do Representatives agree with the Task Force's proposals concerning the activities carried out by the practitioner in a compilation engagement, under proposed revised ISRS 4410?

A.2 *Compiling the Financial Information - the Applicable Financial Reporting Framework*

14. The identification and selection of an acceptable financial reporting framework for the presentation of the financial information in view of the intended use of the information, and the needs of the intended users, is the responsibility of management of the entity. The financial reporting framework that is selected for the compilation engagement is referred to as the 'applicable financial reporting framework', which is a defined term (see paragraphs 17(a) and A7-A13 in Agenda Item D.1)

Task Force Proposals

15. Management is responsible for the selection of the applicable framework and its application in the compiled financial information, including selection of appropriate accounting policies and development of required accounting estimates. The practitioner does not take responsibility for this in a compilation engagement. The practitioner's responsibilities in the engagement are made clear in both the written terms of the engagement agreed with the engagement party and management, and in the practitioner's compilation report. (see paragraphs 5-6; 8; 26(c); 28(b) and (c); 33; 37; and 41(d) and (e) of Agenda Item D.1)
16. The practitioner cannot accept a compilation engagement if the applicable financial reporting framework is not acceptable for the intended use of the compiled financial information or the needs of the intended users. (see paragraphs 26(b) and A35-A41 of Agenda Item D.1)
17. During the course of the compilation, a practitioner may become aware that the applicable financial reporting framework is not acceptable if the financial information compiled using the initially selected financial reporting framework is materially misstated or misleading under that framework. The practitioner may consider recommending that management select another financial reporting framework that is acceptable, if the change would resolve the issue of the compiled financial information being materially misstated or misleading. (see paragraphs 35 and A58 of Agenda Item D.1)

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18. If the practitioner makes such a recommendation to management, but management declines the practitioner's recommendation, then the practitioner would not be able to complete the compilation engagement and is required to resign. This is because the practitioner has an ethical obligation under the IESBA *Code of Ethics for Professional Accountants*⁴ to not knowingly be associated with financial information that is materially misstated or misleading. (see paragraphs 39 and A60-A62 of Agenda Item D.1)

Matters for CAG Consideration

Do Representatives agree with the Task Force's proposals:

- Regarding the practitioner's consideration of the acceptability of the applicable financial reporting framework?
- If the compiled financial information is materially misstated or misleading under the financial reporting framework initially selected by management, that the practitioner may consider recommending that management select another financial reporting framework which is acceptable in view of the intended use of the financial information?

A.3 Purpose and Form of the Practitioner's Compilation Report

19. In every compilation engagement under proposed revised ISRS 4410 the practitioner is engaged to compile the financial information and provide a report for the engagement in the required form. The practitioner's report directly associates the practitioner with the compiled financial information and as such, provides the means for the practitioner to communicate to users the nature and extent of the practitioner's involvement with and responsibilities regarding the compiled financial information.
20. The practitioner's report does not include any opinion or conclusion on the compiled financial information. The report is worded to make this clear to users of the compiled information. Given the that the compilation engagement is not an assurance engagement, the practitioner's report cannot be 'modified' in the way an assurance report can, as the

⁴ The *Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants, states in Part A, paragraph 110.2: "A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the professional accountant believes that the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information furnished recklessly; or
- (c) Omits or obscures information required to be included where such omission or obscurity would be misleading.

When a professional accountant becomes aware that the accountant has been associated with such information, the accountant shall take steps to be disassociated from that information".

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report does not contain any conclusion or opinion by the practitioner on the compiled financial information.

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21. The practitioner's report identifies both the compiled financial information and refers to or describes the applicable financial reporting framework used for the compilation. (see paragraph 41(c)(i) and (ii) in Agenda Item D.1)
22. The report describes what a compilation of financial information entails and the practitioner's responsibilities, including the responsibility to compile the information in accordance with relevant ethical requirements. (see paragraphs 41(e) and (f), and Appendix 2 (illustrative reports) in Agenda Item D.1)
23. The report clearly states that neither an audit nor a review has been performed, and accordingly no audit opinion or review conclusion is expressed on the compiled financial information. (see paragraph 41(f), and Appendix 2 (illustrative reports) in Agenda Item D.1)
24. If the compiled financial information is to be used for a special purpose, rather than general purposes, the practitioner is required to highlight that fact in the report and alert readers of the report to the fact that the information may not be suitable for a purpose other than that for which the information was prepared. In this way the practitioner effectively restricts the use of the compiled financial information to only the specified purpose agreed with the engaging party. The practitioner may also restrict distribution of the practitioner's report. (see paragraphs 41(g) and A69-A70 of Agenda Item D.1)

Matters for CAG Consideration

Do Representatives agree with the Task Force's proposals above that the report provided by the practitioner in a compilation engagement:

- Should be used to communicate the nature of the engagement, and describe the work done by the practitioner for the engagement and the practitioner's responsibilities in the engagement?
- Should not contain any conclusions or opinions on the financial information, including use of 'modifications' which may imply to a reader that a conclusion is being provided?

B. Proposed Revised ISRE 2400 – Engagements to Review Financial Statements

25. The aspects of draft revised ISRE 2400 discussed in the sub-sections below have been a main focus of the Task Force's recent efforts in developing the revised standard. The Task Force would like Representatives' views and comments on these matters.

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B.1 The Practitioner's Objectives in a Review of Financial Statements

26. The Task Force has given much consideration to this aspect of proposed revised ISRE 2400, and received detailed comments from the IAASB meetings held in June and July 2010 on possible formulations of the practitioner's objectives. A particular challenge has been to word the objectives as succinctly as possible so that they will clearly state what the practitioner must achieve in the review.
27. The IAASB has broadly agreed to a two-part statement of the practitioner's objectives addressing firstly the practitioner's work effort and, secondly, reporting by the practitioner. The IAASB requested also that the first part of the objectives addressing the work effort should give sufficient prominence to both the terms 'procedures' and 'evidence'. This reflects that the practitioner's work effort in a review is largely the performance of specified types of procedures to provide the evidential basis for a limited assurance conclusion.

Task Force Recommendations

28. It is impracticable for the statement of the objectives to include reference to all the elements of a review engagement as a form of assurance engagement while remaining clear and concise. The Task Force is therefore proposing the approach of highlighting the most important aspects of the review of financial statements in the objectives statement, coupled with a description of the nature of the review of financial statements in the introductory section of the standard. The introduction would describe the principal conceptual elements of the review engagement in the context of limited assurance. The Task Force intends this introduction to frame the objective and allow for a more concise statement of the objectives.
29. Accordingly the Task Force proposes the following statement of the practitioner's objectives for a review of financial statements:

“The practitioner's objectives in conducting a review of financial statements are:

 - (a) To perform procedures to obtain sufficient appropriate evidence to form a conclusion about whether anything has come to the attention of the practitioner that causes the practitioner to believe the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework;
 - (b) To report on the financial statements as a whole, and communicate as required by this ISRE, in accordance with the practitioner's findings.”
30. The statement of objectives would be read in the context of the description of a review engagement as a limited assurance engagement contained in the introductory paragraphs of draft revised ISRE 2400, as follows:

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The Engagement to Review Historical Financial Statements

3. The review of historical financial statements is a limited assurance engagement, as described in the International Framework for Assurance Engagements (the Framework).
4. In a review of financial statements the practitioner expresses a conclusion that is designed to enhance the degree of confidence of intended users regarding the preparation of an entity's financial statements in accordance with an applicable financial reporting framework. A review engagement conducted in accordance with this ISRE and relevant ethical requirements enables the practitioner to form that conclusion.(Ref. Para A2-A3)
5. Applying the concepts of limited assurance explained in the Framework, a review engagement under this ISRE involves providing the practitioner's conclusion on the financial statements reviewed expressed in negative form. The form of conclusion expressed by the practitioner will also depend upon the applicable financial reporting framework and any applicable law or regulation. (Ref. Para A4)
6. In a review of financial statements the practitioner performs procedures, primarily inquiry and analytical review, to obtain sufficient appropriate evidence to have a reasonable basis to form a conclusion on the financial statements as a whole expressed in the negative form as required under this ISRE.
7. Where there is indication the financial statements are likely to be materially misstated, the practitioner performs further procedures as considered necessary to form a conclusion on the financial statements as a whole in accordance with this ISRE.
8. Where there is indication the financial statements are likely to be materially misstated, the practitioner performs further procedures as the practitioner considers necessary to have a reasonable basis to form a conclusion on the financial statements as a whole in accordance with this ISRE.

Matters for CAG Consideration

Do Representatives agree with the Task Force's recommendations regarding the statement of the practitioner's objectives in a review of financial statements, and the relevant introductory material, as set out above?

B.2 Form of the Practitioner's Conclusion

31. At the June IAASB meeting the Task Force presented its recommendations on the form of the practitioner's conclusion for a review of financial statements. The Task Force has faced a number of challenges in its consideration of how the practitioner's conclusion should be expressed in the engagement report, those being:

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- (a) To clearly communicate to users the practitioner's findings in relation to the financial statements in accordance with the engagement objectives, based on the work performed;
- (b) To use a form of conclusion that achieves the overall purpose of an assurance engagement, that of enhancing the intended users' confidence regarding the financial statements. Specifically whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. This conclusion must be understood in the context of the limited assurance nature of the engagement; and
- (c) To use a form of conclusion that clearly differentiates the review conclusion from an audit opinion.

Task Force Recommendations

32. The Task recommended, and the IAASB agreed, to use of the following form of the practitioner's conclusion:

"Based on our review, nothing has come to our attention that causes us to believe that these financial statements are not prepared, in all material respects, in accordance with *[name of applicable financial reporting framework]*."

33. In the practitioner's report, the expression of the conclusion is preceded by the following description of a review of financial statements, including the limitations of a review:

"A review of financial statements consists primarily of making inquiries, mainly of management and others within the entity involved in financial and accounting matters, and applying analytical procedures in relation to the financial statements. These procedures are performed to enable us to conclude, in the form of our conclusion expressed below, whether anything has come to our attention that causes us to believe that these financial statements are not presented fairly, in all material respects, in accordance with *[name of the applicable financial reporting framework]*."

The evidence we have obtained in the review is sufficient and appropriate to provide a basis for our conclusion on the financial statements expressed below.

The nature and extent of procedures performed in a review is substantially less than that performed in an audit conducted in accordance with the International Standards on Auditing. Accordingly we do not express an audit opinion on these financial statements."

34. The IAASB agreed to this form of the practitioner's conclusion primarily on the basis that it is a clear matter of public interest that a review engagement should be clearly distinguishable from an audit engagement, and a review conclusion should be clearly distinguishable from an audit opinion. Various attempts to communicate the conclusion in a review without using the negative form of expression of the conclusion have fallen significantly short of meeting this key concern. Accordingly the IAASB has expressed

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its agreement on use of the negative form of conclusion. This is balanced by a positive description of the practitioner's work effort underpinning the practitioner's conclusion on the financial statements as a whole.

Matters for CAG Consideration

Do Representatives agree with the Task Force's recommendations regarding the form of expression of the practitioner's conclusion in a review of financial statements?

B.3 Differentiating the Review of Financial Statements from an Audit of Financial Statements

35. A guiding principle identified from the outset of this project is that the review must be clearly distinguishable from an audit. This distinction needs to be clear for the benefit of both users of review reports and for practitioners performing reviews.
36. Balancing this is the desire to described and communicate the value of a review engagement, as a distinct type of assurance engagement, given the limited assurance nature of the engagement.

Task Force Recommendations

37. The Task Force has considered ways to express these principles throughout the draft revised ISRE 2400.
38. The areas of greatest distinction from audit engagements are in the following aspects of the review engagement:
 - (a) Engagement acceptance and continuance;
 - (b) Performance of the engagement – specifically the work effort which provides the evidential basis for the conclusion; and
 - (c) The form of the practitioners' conclusion (see paragraphs 31- 34, in subsection B.2 of this paper).
39. Regarding engagement acceptance and continuance considerations, these have received relatively greater attention in draft revised ISRE 2400 than in the extant standard. In addition to establishing clear requirements for the practitioner to accept or continue a review engagement, the Task Force proposes that the practitioner will decline a request to perform a review if based on the practitioner's preliminary knowledge of the engagement circumstances, information produced from the entity's accounting system is likely to be unavailable or unreliable for the purposes of the review. If that situation exists in respect of any prospective engagement it will mean that performing a review is not possible. For clarification, this general principle concerning engagement acceptance

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is not intended to extend to the practitioner's involvement in recommending certain adjusting entries to management in the ordinary course of performing a review, for example when the practitioner communicates to management the need for certain amendments to the financial statements based on the review findings.

40. The Task Force will present revised proposals regarding the practitioner's work effort to the IAASB at its September meeting. Describing the work effort for a review so that the requirements are sufficiently principles-based to guide practitioners' work effort across a range of circumstances in which reviews may be performed has been a challenge.
41. This is especially true where the practitioner's inquiry and analytical procedures indicate existence of likely material misstatements. The Task Force proposes that the practitioner should then be required to perform procedures in relation to affected areas sufficient to determine whether material misstatements actually exist. If agreed by the IAASB, it is expected that clarification of this aspect of the performance of a review will promote greater consistency in practice.
42. Taking all of this together, the Task Force believes reviews are able to be distinguished from audits. However, in addition to drawing these distinctions within draft revised ISRE 2400, it will be important also to promote wider awareness about these factors in communications about reviews and audits. For example, if draft revised ISRE 2400 progresses to a finalized engagement standard the Task Force would recommend that a communication be prepared to coincide with the launch of the revised engagement standard. The communication would highlight main areas of difference between reviews, audits, and other types of engagements available to meet user needs in relation to financial reporting.

Matters for CAG Consideration

- Do Representatives consider, taking account of with the Task Force's recommendations above, that reviews of financial statements performed under draft revised ISRE 2400 will be sufficiently distinguishable from audits?
- Do Representatives agree that wider communication about different types of assurance engagements is necessary to promote clarity for users to assist their understanding of differences between audits, reviews and other types of assurance engagements, and between assurance engagements and related services?

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Material Presented – IAASB CAG PAPER

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Draft of Proposed Revised ISRS 4410, *Engagements to Compile Historical Financial Information*, dated September 2010 (Clean)

(Agenda Item 2-B of the September 2010 IAASB Meeting)

Material Presented – FOR IAASB CAG REFERENCE PURPOSES ONLY

Agenda Item 2-A of the September 2010 IAASB Meeting – Engagements to Compile Financial Statements —Issues and IAASB Task Force Proposals

<http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5611>

Agenda Item 2-C of the September 2010 IAASB Meeting – Draft of Proposed Revised ISRS 4410, *Engagements to Compile Historical Financial Information*, dated September 2010 (Markup from June)

<http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5613>

Agenda Item 4-A of the September 2010 IAASB Meeting – Engagements to Review Financial Statements —Issues and IAASB Task Force Proposals

[Link to follow](#)

Agenda Item 4-B of the September 2010 IAASB Meeting – Draft of Proposed Revised ISRE 2400, *Engagements to Review Historical Financial Statements*, dated September 2010 (reference purposes only – not for discussion by IAASB)

[Link to follow](#)

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Appendix

Project History

Project: Proposed Revised ISRS 4410, *Engagements to Compile Historical Financial Information* and Proposed Revised ISRE 2400 *Engagements to Review Historical Financial Statements*

Summary

	CAG Meeting	IAASB Meeting
Project Commencement	March 2009	March 2009
Development of Proposed International Pronouncement	September 2009 March 2010	September 2009 December 2009 March 2010 June 2010
Exposure	[Planned for September 2010, in respect of ISRS 4410]	[Planned for September 2010, in respect of ISRS 4410]

CAG Discussions: Detailed References

Project Commencement	<u>March 2009</u> See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4599 See CAG meeting minutes (in Agenda Item H of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5589 See report back on March 2009 CAG meeting (in paragraph 13 of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4932
Development of Proposed International Pronouncement	<u>March 2009</u> See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4599

IAASB CAG PAPER

IAASB CAG Agenda (September 2010)

Agenda Item D

Review and Compilation Engagements—Report Back and Issues and IAASB Task Force Proposals

	<p>See CAG meeting minutes (in Agenda Item H of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5589 <u>September 2009</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=4932</p> <p>See CAG meeting minutes (in Agenda Item F of the following material): http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5305 <u>March 2010</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5267</p> <p>See CAG meeting minutes:</p> <p>See draft March 2010 CAG meeting minutes at Agenda Item B <u>September 2010</u></p> <p>See paragraphs 8-9 of this paper.</p>
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