

Meeting: IAASB Consultative Advisory Group
Meeting Location: Brussels
Meeting Date: March 6–7, 2012

Agenda Item

N

Engagements to Review Historical Financial Information—ISRE 2400

Objectives of Agenda Item

1. To provide the Representatives with an overview of, and to obtain views on, the significant issues raised by respondents on the Exposure Draft of proposed revised ISRE 2400¹ (ED-2400).

Papers to Be Referred to during Discussion

2. The discussion on this topic will follow the structure of this CAG Paper.

Project Status and Timeline

3. The IAASB approved the Exposure Draft (ED) of proposed revised ISRE 2400 at its December 2010 meeting. The ED was released for public comment on January 13, 2011 and comments were requested by May 20, 2011. Forty nine responses were received. A list of respondents is provided in Appendix 2 of this paper. All comments letters can be accessed from the IAASB website at www.ifac.org/publications-resources/proposed-international-standard-review-engagements.
4. At its December 2011 meeting, the IAASB was asked to consider select significant issues from the comments received on ED-2400 and recommendations of the Task Force for these issues. The IAASB will continue its consideration of significant issues arising from the comments received on ED-2400, as well as a revised draft of the proposed standard incorporating changes in response to the comments received, at its meeting in March 2012. The goal is to present the draft revised ISRE 2400 for approval by the Board in June 2012.
5. For reference only, the draft of the proposed revised ISRE 2400 to be considered by the IAASB in March 2012 is included as a CAG Reference Paper.
6. Appendix 1 to this paper provides a project history, including links to the relevant CAG documentation.

¹ Proposed International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Financial Statements*

Overview of Responses to ED-2400

7. Forty-nine responses were received, from the broad stakeholder groupings reflected in Table 1 below.

Table 1: Respondents to the Exposure Draft (main groupings)

IFAC Boards and Committees	1
IFAC Member Bodies and Other Professional Bodies	25
National Standard Setters	10
Public Sector Audit Authorities	1
Regulators and Oversight Authorities	1
Accounting Firms	9
Others (including individuals)	2
Financial Statement Users	0
TOTAL RESPONSES	49

Overall Perceptions of the Review Engagement under the Proposed ISRE

8. ED-2400 explicitly questioned whether respondents believed the proposed ISRE would result in an assurance engagement that will be meaningful to users, and the majority of respondents who commented on this issue believed that it will.² Three respondents³ disagreed, on the grounds that the distinction between a review and an audit is not sufficiently clear under the proposed ISRE.
9. Similarly, the majority who commented⁴ believed the proposed ISRE will result in an engagement that can be understood by practitioners, and be performed in a cost-effective manner that clearly distinguishes the review from the audit. However, a few respondents⁵ questioned whether that the engagement will be able to be understood and performed by practitioners in a cost-effective manner. Another few respondents⁶ also questioned whether that the engagement can be performed in a way that clearly distinguishes the review from an audit.

Overarching Observations

10. Overall, the responses were supportive of the proposed ISRE. Against the backdrop of that support, respondents provided comments directed to a number of key areas of the proposed ISRE that warrant further consideration. Many respondents also commented more widely on the

² AICPA; ACCA; AUASB; AG-NZ; BHD; CALCPA; CGA; CMA; CAASB; EvansMartin; IFAC SMPC; HCA; HKICPA; ICPAS; ICAEW; ICPAK; ICAP; JICPA; MIA-Malta; MNP; OCAQ; PwC; RSM; SAICA; ZICA

³ APB; BDO; KPMG

⁴ AICPA; ACCA; AUASB; AG-NZ; CALCPA; CGA; CAASB; DTT; EvansMartin; GT; IFAC SMPC; ICPAS; ICAEW; ICPAK; ICAP; JICPA; MIA-Malaysia; MNP; OCAQ; PwC; IBRAON; RSM; SAICA; ZICA

⁵ BHD; CMA; NZICA

⁶ BDO; CNCC; CNDCEC

proposed ISRE, including offering various drafting suggestions for the wording of the proposed ISRE.

11. Overarching observations drawn from the review of the responses are:

- The limited assurance nature of the engagement can be further and more clearly emphasized in the draft ISRE, including in the practitioner's objectives and in the reporting requirements and illustrative reports. This would also help practitioners' understanding of how to design the work effort in a review engagement to be able to form a conclusion on the financial statements.
- Practitioners need to have capability in assurance skills and techniques to perform a review engagement. This factor, which is important to achieving the quality and consistency of performance of review engagements, needs to be made clear in the draft ISRE.
- The distinction between a review and an audit of financial statements needs to be more clearly drawn. In particular:
 - References to the concept of evidence in the draft ISRE can be better explained, and aligned with the form of the conclusion expressed in a review engagement. This would help to improve the clarity and understandability of the ISRE.
 - The circumstance of needing, in some cases, to perform further procedures, or additional procedures in a review engagement, i.e. supplementary to the inquiry and analytical procedures performed, in order to be able to form a conclusion on the financial statements, can be further explained. In particular, there is a need to clarify how such additional work effort relates to achieving the practitioner's objective for the engagement.
- Confirmation by respondents that the form of the practitioner's conclusion expressed in a review is appropriate for communicating the limited assurance nature of the engagement; not withstanding that this type of report is perceived as having some drawbacks, particularly in jurisdictions where reviews are not presently performed, or are not common.
- It is important that practitioners clearly understand the context for using ISRE 2400 vs. ISRE 2410.⁷
- The availability of implementation support materials is key to facilitating the adoption and implementation of ISRE 2400 (Revised), when finalized. There is significant need for effective communications with practitioners and with users of financial statements to promote understanding of the review engagement as a unique form of assurance engagement, and also to support uptake of the engagement, particularly in jurisdictions where reviews are not presently performed or are not common.

⁷ ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

Structure of this CAG Paper

12. The remainder of this CAG paper sets out the following significant matters raised by respondents, and the Task Force's recommendations thereon, that will be considered by the IAASB at its March 2012 meeting. The paper is structured as follows:
- (a) **Section A: Use of the Term Limited Assurance as a Defined Term in ISRE 2400**
Discusses the Task Force's recommendations to include the term "limited assurance" in the draft ISRE as a defined term, and to use the term in key places throughout the draft ISRE. This provides context for the practitioner's objectives, and for the requirements of the standard on performing the engagement and reporting.
 - (b) **Section B: Evidence-Based Nature of the Engagement**
Discusses the Task Force's recommendations to reinforce the evidence-based nature of the review engagement performed under draft ISRE 2400 as a form of assurance engagement. This provides important context for the practitioner's design and performance of the procedures for the review engagement, and forming the conclusion on the financial statements.
 - (c) **Section C: The Practitioner's Competency in Assurance Skills and Techniques**
Discusses the Task Force's recommendations to include requirements that clarify the need for the practitioner to have competency in assurance skills and techniques. These competencies are fundamental to achieving quality in a review engagement. Many of the requirements of the proposed revised ISRE implicitly assume these competencies are among the resources applied to perform a review. This assumption needs to be explicitly stated in the ISRE.

Appendix 3 to this paper provides extracts from the draft proposed ISRE2400 (Revised) highlighting how the Task Force's recommendations have been incorporated into the standard.

Matters for CAG Consideration

A. Use of The Term "Limited Assurance" as a Defined Term in ISRE 2400

13. In relation to the practitioner's objectives for a review engagement under proposed ISRE 2400, while many respondents agreed⁸ that the practitioner's objectives stated in the proposed ISRE appropriately describe the expected outcome of the practitioner's work in a review, and the means by which the objectives are to be achieved, an equal number disagreed.⁹ Many respondents also believed the wording of the objectives may have unintended consequences, or blur the difference between a review engagement and an audit.¹⁰
14. Respondents' reasons for disagreement with the wording of the practitioners' objectives, as stated in ED-2400, are:

⁸ AUASB; BHD; CALCPA; CAASB; IFAC SMPC; ICPAK; ICPAS; IRBA; NZICA; MIA-Malaysia; PwC; SC-AOB; ZICA

⁹ AICPA; APB; ACCA; AG-NZ; BDO; EFAA; FEE; KPMG; ICAS; ICAEW; IDW; HKICPA; JICPA

¹⁰ APB; BDO; BHD; CGA; DTT; EvansMartin; GT; ICAS; ICAP; IRBA; IBRACON; JICPA; PwC; SAICA

- Lack reference to the concept of limited assurance, which is a principal difference between the review and the audit.¹¹
- Failure to provide a reference point against which the practitioner can evaluate whether the practitioner has obtained limited assurance.¹²
- Use of wording that makes reference to the sufficiency and appropriateness of evidence obtained but does not clarify how that concept is applied in a review engagement, so that it could be interpreted as implying audit-level evidence.¹³
- A perceived inconsistency in the wording of the practitioner's conclusion. Specifically, some respondents perceived a logical inconsistency between "evaluating the sufficiency and appropriateness of the evidence obtained" and the wording of the practitioner's conclusion "nothing has come to my attention ..." expressed in the report in accordance with the ISRE.¹⁴
- The objectives appeared to be a condensed description of how the review engagement is performed, rather than reflecting what the practitioner must achieve in a review of financial statements (i.e., to obtain limited assurance in order to express a conclusion on the financial statements in the form required under the ISRE).¹⁵

Task Force Recommendation

15. The Task Force proposes to include the term "limited assurance" as a defined term in the draft ISRE. It believes that defining and using the term limited assurance, explained in the context of a review of financial statements, is the best way to address respondents' concerns that the practitioner's objectives for the engagement are not sufficiently clear concerning the limited assurance nature of the engagement, evidence requirements, and the relationship of these to the form of conclusion given in the practitioner's report. Further, doing so will also help to better clarify the difference between a review and an audit.
16. The proposed definition would make clear the intended meaning of the term in the context of a review of financial statements performed under ISRE 2400, and be accompanied by application material to explain the term's relevance and application in a review engagement. It is aligned with the definition contained in the exposure draft of proposed ISAE 3000 (Revised)¹⁶ (ED-3000), and is aligned with the explanation of the term contained in the extant *International Framework for Assurance Engagements*¹⁷(the Assurance Framework) and also the definition contained in the

¹¹ AICPA; APB; GT; EFAA; FEE; IFAC SMPC; ICAS; HKICPA; JICPA

¹² AICPA; CAASB; PwC

¹³ APB; BDO; BHD; CGA; DTT; EvansMartin; FSR; GT; IBRACON; ICAP; IRBA; PwC; SAICA

¹⁴ APB; KPMG

¹⁵ ACCA; AICPA; AG-NZ; ICAS; HCA; HKICPA

¹⁶ Exposure Draft of Proposed International Standard on Assurance Engagements(ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

¹⁷ *International Framework for Assurance Engagements*, paragraphs 7 and 11

proposed amended Assurance Framework.

17. The Task Force believes these proposed amendments are responsive to many comments on ED-2400, as they enable the term “limited assurance” to be used in key areas throughout the draft ISRE (for example, in the description of the practitioner’s objectives for the engagement and in the report) to give better context to the requirements and application material.

A.1 Sufficiency of the practitioner’s work effort to be able to form a conclusion on the financial statements

18. At the December 2011 IAASB meeting, the majority of IAASB members expressed support for the Task Force’s recommendation, based on comments received from respondents to ED-2400, to use the term “limited assurance” in the proposed ISRE and state its meaning as a defined term for the purpose of ISRE 2400.
19. However it was noted that including a definition of limited assurance would not by itself address the issue raised by some respondents concerning the need for guidance for the practitioner to be able to judge when the work effort applied in an individual engagement is sufficient to be able to conclude in accordance with the ISRE. Several respondents¹⁸ raised the point that there needs to be better explanation about how the practitioner can judge whether enough has been done in a review engagement to be able to express a conclusion on the financial statements in the form required by the draft ISRE. (That is, ‘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 the applicable financial reporting framework, [or do not present fairly, in all material respect, where appropriate] ...’)

Task Force Recommendation

20. The Task Force also proposes revisions to the application material to explain considerations relevant to the practitioner’s judgment of whether the work effort undertaken in an individual engagement provides a sufficient basis to be able to form a conclusion on the financial statements. Taken together with the Task Force’s proposed amendments explaining the meaning of the term “limited assurance” in a review of financial statements, the Task Force believes the proposed amended application material in the draft ISRE will be sufficient to explain for practitioners the underpinnings of the approach to be followed to be able to conclude on the financial statements in accordance with the ISRE.
21. The amendments to the draft ISRE proposed by the Task Force in this regard are shown in Appendix 3.

Matters for CAG Consideration

Q1. Do the Representatives:

- (a) Support the inclusion of a definition and explanation of “limited assurance” as applied to a review of financial statements, in the draft ISRE?

¹⁸ AICPA, APB, BDO, CAASB, MIA Malta, IDW, KPMG, RSM

- (b) Believe that, in combination with the proposed application material to better explain the approach to obtaining evidence, the draft ISRE will provide sufficient context to the requirements of the standard to enable practitioners to understand how to achieve the objectives for the engagement?

B. Evidence-Based Nature of the Engagement Performed in Accordance with ISRE 2400

22. Respondents held different views about the position reflected in ED-2400 that the practitioner's conclusion in a review engagement is based on obtaining sufficient appropriate evidence as set out in the requirements and application material.
23. As noted in the discussion in section A above, many respondents¹⁹ believed use of the term sufficient appropriate evidence in the ISRE, and specifically in the illustrative reports, could create a misperception about the basis for the conclusion expressed in a review engagement, which must always be clearly communicated as being limited assurance. These respondents believed that use of the term in the context of a review engagement is confusing, or would blur the distinction between a review and an audit, and should not be used. Further, as noted above, a few respondents²⁰ commented that, since the term is associated with audit engagements through its use in the ISAs, using the same term in the draft ISRE could cause practitioners to undertake more work than is required given the limited assurance nature of the engagement.
24. Another respondent²¹ expressed the view that references to obtaining sufficient appropriate evidence are not appropriate in the ISRE since, in this respondent's view, the practitioner's conclusion in the review engagement is not based on evidence but rather on performing procedures.
25. The majority of respondents²², however, believed that the proposed ISRE 2400 will result in engagements that can be understood and performed by practitioners in a cost-effective manner in a way that clearly distinguishes the engagement from an audit. Implicitly (as no specific question was asked on this issue in ED-2400), these respondents were satisfied with the approach reflected in ED-2400 of obtaining evidence, through performing the procedures required in the ISRE, and evaluating the evidence obtained therefrom, as the basis for forming a conclusion on the financial statements. These respondents did not raise objection to the need for the evidence obtained to be sufficient and appropriate for the purpose of a review engagement.
26. A respondent²³ specifically cautioned against giving undue emphasis to the procedures performed in a review, rather than the evidence obtained, and noted that the concept of sufficient appropriate evidence is central to all types of assurance engagements. Several respondents²⁴ believed an explanation of how

¹⁹ APB, AUASB, BHD, CGA, CAASB, DTT, GT, ICAP, IDW, KPMG, NBA, OCAQ, IRBA

²⁰ KPMG, APB,

²¹ OCAQ

²² AG-NZ, ACCA, AUASB, AICPA, BDO, BHD, CALCPA, CAASB, DTT, Evansmartin, GT, IBRACON, ICAEW, ICAP, ICPAK, ICPAS, IDW, IFAC SMPC, JICPA, MIA-MICPA, MNP, OCAQ, PWC, RSM, SAICA, ZICA

²³ AICPA

²⁴ APB, Evansmartin, FSR, GT, IDW, JICPA, KPMG, MIA Malta, NZICA, RSM, SAICA

the term is intended to be applied in the context of a review engagement would help to mitigate the risk of confusion given the perception that practitioners are more familiar with its use in an audit engagement.

Task Force Recommendation

27. The Task Force recommends that use of the term sufficient appropriate evidence in appropriate places throughout the ISRE be retained. This includes use of the term in the statement of the practitioner's objectives, the requirements addressing performance of the engagement and forming a conclusion, and the reporting requirements and the illustrative reports.
28. With regard to respondents who did not believe the review engagement involves obtaining evidence as the basis for expressing the conclusion, the Task Force unanimously disagrees that the practitioner's objectives for a review engagement can be achieved on the strength of performing procedures alone. That would fundamentally alter the nature of the engagement.
29. In line with the extant and proposed Assurance Framework, which clarifies that all assurance engagements are evidence-based, the Task Force unanimously believes the draft ISRE needs to be clear that the engagement involves obtaining sufficient appropriate evidence as the basis for expressing a conclusion on the financial statements in accordance with the ISRE. That is, evidence that is sufficient and appropriate to be able to conclude that nothing has come to the practitioner's attention that causes the practitioner to believe the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework (or are not presented fairly ..., where appropriate).
30. The Task Force recognizes that a key distinguishing factor of the review engagement is that the engagement is defined, in part, by use of primarily inquiry and analytical procedures to derive the basis for concluding on the financial statements. What is important is that a practitioner performing a review understands the intended meaning of the phrase sufficient appropriate evidence as used in the context of a limited assurance engagement, and that the nature and extent of the procedures performed in an individual review engagement provide a sufficient basis for obtaining the evidence needed to be able to form a conclusion. In line with the proposed definition of proposed limited assurance those procedures should generate sufficient and appropriate evidence to reduce the engagement risk to a level that is acceptable in the engagement circumstances.
31. The Task Force believes the proposed additional application material relating to the definition of limited assurance in a review engagement will be particularly useful. This application material makes it clear how the term sufficient appropriate evidence should be interpreted in a review of financial statements. By linking the term with the proposed definition of limited assurance in the amended draft ISRE, specifically to the key objective of reducing of engagement risk to a level that is acceptable in the engagement circumstances, practitioners will have a basis for applying their professional judgment to determine when the evidence obtained is sufficient and appropriate, and therefore to be able to form a conclusion on the financial statements.
32. The amendments to the draft ISRE proposed by the Task Force in this regard are shown in Appendix 3.

Matter for CAG Consideration

- Q2. Do the Representatives agree with the Task Force's proposed recommendations to further clarify the evidence-based nature of the review engagement in the draft ISRE, including retaining use of the term "sufficient appropriate evidence" throughout the ISRE as explained above?

C. The Practitioner's Competency in Assurance Skills and Techniques

33. Several respondents²⁵ pointed out that a practitioner who is not experienced in performing audit and assurance engagements would have difficulty performing a review under the proposed ISRE. It was noted that, without the necessary level of skill and competency including experience with assurance engagements, there is a threat to consistency of application of the ISRE and to the quality of outcomes achieved in review engagements.²⁶
34. The following are some examples where these respondents anticipated that difficulty would be encountered:
- Understanding the nature and scope of a review engagement, and distinguishing it from an audit engagement.²⁷ For example:
 - A practitioner without the competencies and capability of an assurance practitioner may have difficulty obtaining a sufficient understanding of the entity and its environment to be able to develop expectations about the entity's reported financial performance and position;²⁸ or may have difficulty achieving the level of awareness and understanding of where there is risk of material misstatement in financial statements.²⁹
 - While a skilled assurance practitioner can draw on their professional competencies and experience to determine the nature, timing and extent of additional procedures where the need for them arises in a review, a practitioner who lacks the necessary competencies would likely need significant guidance and explanation in addition to that proposed in the ISRE.³⁰
 - Making informed and reasonable professional judgments, including in difficult or contentious areas identified during a review.³¹
 - Performing the engagement on a cost-effective basis.³²

²⁵ AG-NZ; AUASB; CICPA; CGA; IRBA; ICAEW; SAICA

²⁶ AUASB

²⁷ AUASB

²⁸ AG-NZ; CICPA

²⁹ AUASB

³⁰ AUASB; ICAEW

³¹ AUASB; IRBA

³² HCA

35. In the IAASB's discussion of this issue in December 2011, the majority of IAASB members believed the ISRE can be further strengthened by including a requirement that the practitioner performing a review engagement under ISRE 2400 be competent in the use of assurance skills and techniques and have expertise in financial reporting. It was recognized that proper performance of the requirements of ED-2400 in a number of key areas will necessarily require the competencies of a skilled assurance practitioner, and that the quality of review engagements will be significantly enhanced when the practitioner possesses those competencies.

Task Force Recommendations

36. The Task Force proposes to include a definition of the term "assurance skills and techniques" in the amended draft ISRE, together with application material to further explain the context for use of the term in the standard. The defined term and related application material has been developed from the draft wording of ED-3000, which has been developed to serve a similar purpose.
37. The Task Force also recommends the inclusion of a new engagement-level quality control requirement, to make it explicit that the engagement partner, who has responsibility for the overall quality of the engagement performed, is required to possess competencies in assurance skills and techniques and expertise in financial reporting.
38. The Task Force believes that, taken together, these recommended amendments will further strengthen the ISRE by making it clear that the achievement of the practitioner's objectives for a review, and the overall quality of a review engagement, would require the practitioner performing the review to be a competent assurance practitioner.
39. The amendments to the draft ISRE proposed by the Task Force in this regard are shown in Appendix 3.

Matter for CAG Consideration

- Q3. Do Representatives agree that the Task Force's proposed amendments explained above, will strengthen the quality of performance of review engagements? If not, what alternative amendments can Representatives suggest to address the responses received?

IAASB Interaction with the IAASB CAG

40. The substantive issues being raised on the project for the purposes of the March 2012 IAASB meeting are included in this paper. Accordingly, this serves as the final discussion of the project prior to its anticipated approval by the IAASB. CAG Representatives may wish to take this opportunity to comment on the IAASB's interaction with the CAG during the development and finalization of proposed ISRE 2400 (Revised). Appendix 1 to this paper provides a project history, including links to the relevant CAG documentation.

Other Matters Considered by the IAASB

41. Other matters considered by the IAASB in its discussions of this topic in December 2011 and March 2012 are:
- Designing the work effort to perform the review, including:

- Obtaining an understanding sufficient to identify areas in the financial statements where material misstatement is likely to arise;
 - Performing procedures, and the approach to performing analytical procedures;
 - Performing further procedures, and additional procedures, when necessary in the circumstances of individual engagements, to be able to form a conclusion on the financial statements (i.e. not required for every review engagement, only when necessary in the circumstances of individual engagements);
- Alignment of draft ISRE 2400 with other IAASB pronouncements addressing limited assurance engagement and use of common principles;
 - Clarification of the relationship between draft ISRE 2400 and ISRE 2410, and implications of draft ISRE 2400, if any, for ISRE 2410,³³ and
 - Promoting understanding of review engagements, and the need for implementation materials.

Material Presented – IAASB CAG PAPER

Agenda Item N.1

Draft Proposed Revised ISRE 2400 (Clean)

³³ See also the reference to this issue in CAG Paper **Agenda Item D.1**, the revised *IAASB Strategy and Work Program for 2012-2014* (Strategy and Work Program), paragraph 39.

Appendix 1

Project History

Project: Proposed ISRE 2400 (Revised) Engagements to Review Historical Financial Statements

Summary

	CAG Meeting	IAASB Meeting
Project Commencement	March 2009	March 2009
Development of Proposed International Pronouncement (up to Exposure)	September 2009 March 2010 September 2010 March 2011	September 2009 March 2010 June 2010 September 2010 December 2010
Exposure	ISRE 2400 – December 2010	
Consideration of Respondents' Comments on Exposure	March 2012	December 2011 March 2012
Final approval of proposed pronouncement	March 2012	Planned for June 2012

CAG Discussions: Detailed References

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

	<p><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</p> <p><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 (in Agenda Item M of the following material) http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5882</p> <p><u>September 2010</u></p> <p>See IAASB CAG meeting material: http://www.ifac.org/IAASB/Meeting-FileDL.php?FID=5670</p> <p>See CAG meeting minutes (in Agenda Item D of the following material) http://www.ifac.org/sites/default/files/meetings/files/6186_0.pdf</p> <p><u>March 2011</u></p> <p>See report back on September 2010 meeting: http://www.ifac.org/sites/default/files/meetings/files/6112_0.pdf</p> <p>See CAG meeting minutes (in Agenda Item J.4 of the following material). http://www.ifac.org/sites/default/files/meetings/files/20110912-IAASBCAG-AgendaItemA-Final_March_2011_Public_Minutes_APPROVED-v1-03.pdf</p>
Consideration of Respondents' Comments	March 2012
Final Approval of proposed pronouncement	This agenda paper serves as the final discussion of the project prior to its anticipated approval by the IAASB, planned for June 2012.

Appendix 2

List of Respondents to ED-2400

#	Abbreviation	Respondent (Total = 49)
IFAC Boards and Committees (1)		
1.	IFAC SMPC	IFAC Small and Medium Practices Committee
IFAC Member Bodies and Other Professional Bodies (26)		
2.	AAP	The Joint Accounting Bodies – Australian Accounting Profession (CPA Australia, The Institute of Chartered Accountants in Australia, and the National Institute of Accountants)
3.	ACCA	Association of Chartered Certified Accountants
4.	CALCPA	California Society of Certified Public Accountants – Accounting Principles and Auditing Standards Committee
5.	CGA	Certified General Accountants Association of Canada
6.	CICPA	Chinese Institute of Certified Public Accountants
7.	CMA-Canada	The Society of Management Accountants of Canada
8.	CNDCEC	Consiglio Nazionale dei Dottori Commercialisti e Consiglio Nazionale degli Esperti Contabili
9.	EFAA	European Federation of Accountants and Auditors for SMEs
10.	FAR	Institute for the Accountancy Profession in Sweden
11.	FEE	Federation of European Accountants
12.	FSR	Foreningen af Statsautoriserede Revisorer
13.	HCA	Chamber of Hungarian Auditors
14.	IBRACON	Instituto dos Auditores Independentes do Brasil
15.	ICAEW	The Institute of Chartered Accountants in England and Wales
16.	ICAP	Institute of Chartered Accountants of Pakistan
17.	ICAS	The Institute of Chartered Accountants of Scotland
18.	ICJCE	Instituto de Censores Jurados de Cuentas de España
19.	ICPAS	Institute of Certified Public Accountants of Singapore
20.	ICPAK	Institute of Certified Public Accountants of Kenya
21.	JICPA	The Japanese Institute of Certified Public Accountants
22.	MIA MALTA	The Malta Institute of Accountants
23.	MIA-MICPA	Malaysian Institute of Accountants
24.	OCAQ	Ordre des comptables agréés du Québec
25.	SAICA	The South African Institute of Chartered Accountants
26.	ZICA	Zambia Institute of Chartered Accountants
National Standard Setters (10)		
27.	AICPA	American Institute of Certified Public Accountants
28.	APB	Auditing Practices Board (United Kingdom)
29.	AUASB	Australian Auditing and Assurance Standards Board
30.	CAASB	The Canadian Auditing and Assurance Standards Board
31.	CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes + Conseil Supérieur de l'Ordre des Experts-Comptables
32.	HKICPA	Hong Kong Institute of Certified Public Accountants
33.	IDW	Institut der Wirtschaftsprüfer in Deutschland
34.	IRBA	Independent Regulatory Board for Auditors
35.	NBA	Nederlandse Beroepsorganisatie van Accountants
36.	NZICA	New Zealand Institute of Chartered Accountants - Professional Standards Board

Regulators and Oversight Authorities (1)		
37.	SC-AOB	Securities Commission Malaysia - Audit Oversight Board
Public Sector Audit Authorities (1)		
38.	AG-NZ	Office of the Auditor-General of New Zealand
Firms (9)		
39.	BDO	BDO International Limited
40.	BHD Group	BHD Group Limited
41.	DTT	Deloitte Touche Tohmatsu Ltd
42.	EvansMartin	EvansMartin LLP
43.	GT	Grant Thornton International Ltd
44.	KPMG	KPMG IFRG Ltd
45.	MNP	Meyers Norris Penny LLP
46.	PwC	PricewaterhouseCoopers LLP
47.	RSM	RSM International
Individuals and Others (2)		
48.	J. Maresca	Dr. Joseph S. Maresca, CPA, CISA
49.	SRA	SRA – Netherlands

Appendix 3

Relevant Extracts from the Amended Draft ISRE2400 (Revised)

[Note: the extracts shown below are from the CAG Reference Paper Agenda Item 3-C of the March 2012 IAASB Meeting – Draft of Proposed Revised ISRS 2400, with the Task Force’s proposed changes shown as indicated below.]

In Relation to Section A of This Paper

¶	(Proposed additions are shown as <u>underlined text</u> , deletions as strike-through text)
5	The Engagement to Review Financial Statements The review of historical financial statements is a limited assurance engagement, as described in the <i>International Framework for Assurance Engagements</i> (the Assurance Framework). ³⁴ (Ref: Para. A6–A8)
7	In a review of financial statements, t <u>he</u> practitioner performs procedures, primarily <u>consisting of</u> inquiry and analytical procedures, to obtain sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, expressed in accordance with the requirements of this ISRE. (Ref: Para. A8)
A8	In a review engagement the practitioner's conclusion on the financial statements, expressed in accordance with the requirements of this ISRE, is based on the practitioner having obtained limited assurance as the basis for the conclusion. The practitioner performs procedures, primarily consisting of inquiry and analytical procedures, and evaluates the evidence obtained to obtain sufficient appropriate evidence as the basis for the purpose of forming the conclusion, on the financial statements, expressed in accordance with the requirements of this ISRE. Expression of t <u>he</u> practitioner's <u>report conclusion in accordance with the requirements of this ISRE communicates to users includes a description of the nature of a review engagement of the practitioner's report as context for the readers of the report to be able to understand the conclusion expressed on the financial statements. that the practitioner's conclusion is based on evidence gathering procedures that are limited but sufficient to provide a basis for the conclusion.</u>
14	Objectives The practitioner's objectives in conducting a review of financial statements <u>under this ISRE</u> are <u>to</u> : (a) To Obtain limited assurance about conclude, through performing primarily inquiry and analytical procedures, and evaluating the sufficiency and appropriateness of evidence obtained, whether anything has come to the practitioner's attention that causes the practitioner to believe the financial statements are not prepared, in all material respects, in accordance with an applicable financial reporting framework; and (Ref: Para. A8) (b) To r <u>e</u> port on the financial statements as a whole, and communicate as required by this ISRE.
17(e)	Definitions For purposes of this ISRE, the following terms have the meanings attributed below: <u>Limited Assurance—The level of assurance obtained where engagement risk is reduced to a level that is</u>

³⁴ *International Framework for Assurance Engagements*, paragraphs 7 and 11

	<u>acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement.</u> (Ref: Para. A15)
A15	<u>In a review engagement, the practitioner obtains sufficient appropriate evidence by performing procedures, primarily consisting of inquiry and analytical procedures, to reduce engagement risk to a level that is acceptable in the engagement circumstances as the basis for expressing a conclusion on the financial statements in accordance with this ISRE.</u>
85	<p>The Practitioner's Report</p> <p><i>Communication of the Nature of a Review of Financial Statements</i></p> <p>The practitioner shall include in the report a description of the nature of a review of financial statements and its limitations, including a statement and shall state that: (Ref: Para. A135)</p> <p>(a) In a review engagement <u>under this ISRE is a limited assurance engagement, the practitioner performs procedures to obtain sufficient appropriate evidence as the basis for concluding on the financial statements as a whole;</u></p> <p>(b) The <u>practitioner performs</u> procedures, performed primarily consisting primarily of making inquiries of management and others within the entity involved in financial and accounting matters, and applying analytical procedures, <u>in relation to the financial statements and evaluates the evidence obtained;</u></p> <p>(c) ...</p>
App. 2	<p>Illustrative Practitioners' Review Reports (Illustrative Reports #1-7)</p> <p>A review of financial statements in accordance with ISRE 2400 <u>is a limited assurance engagement. The practitioner performs procedures, consists</u> primarily <u>consisting</u> of making inquiries of management and others within the entity involved in financial and accounting matters, <u>and</u> applying analytical procedures, and evaluating the <u>sufficiency and appropriateness of</u> evidence obtained.</p>

In Relation to Section B of This Paper

¶	(Proposed additions are shown as <u>underlined text</u> , deletions as strike through text)
A86	<p><i>Designing and Performing Inquiry and Analytical Procedures</i></p> <p>[Revised] <u>The requirements of this ISRE relating to designing and performing procedures for the review are directed to achievement of the practitioner's objectives for the engagement. A review engagement primarily involves performing inquiry and analytical procedures.</u> When designed and performed effectively in the light of the practitioner's understanding as required in this ISRE, inquiry and analytical procedures performed are expected to:</p> <ul style="list-style-type: none"> Be sufficient for the practitioner to be able to identify <u>address all material items in the financial statements, and focus and focus on</u> areas in the financial statements where material misstatements are likely to arise; and to design procedures to address those areas; and Provide an adequate basis for <u>the practitioner to be able to conclude a conclusion</u> on the financial statements as a whole <u>in accordance with this ISRE.</u>
A87	<p>[New] <u>Depending on the practitioner's evaluation of the evidence obtained from the inquiry and analytical procedures performed, the practitioner may need to perform:</u></p> <p>(a) <u>Further procedures, in accordance with paragraph 57, if the practitioner determines that the evidence obtained does not provide an adequate basis for concluding on the financial statements</u></p>

	<p><u>in accordance with this ISRE.</u></p> <p>(b) <u>Additional procedures, in accordance with paragraph 58, if the practitioner becomes aware of a matter(s) that causes the practitioner to believe the financial statements may be materially misstated.</u></p> <p><u>The fact that the practitioner may deem deem it necessary to perform such procedures to achieve the practitioner's objectives for the engagement does not alter the overall nature and purpose of the engagement. The practitioner's conclusion on the financial statements is based on having obtained limited assurance in relation to the financial statements as a whole.</u></p>
--	---

In Relation to Section C of This Paper

¶	(Proposed additions are shown as <u>underlined text</u> , deletions as strike through text)
	Definitions
17(b)	[New] <u>Assurance skills and techniques—Those planning, evidence gathering, evidence evaluation and reporting skills and techniques distinct from expertise in financial reporting. (Ref: Para. A14)</u>
A14	<p>[New] <u>Assurance skills and techniques include:</u></p> <ul style="list-style-type: none"> • <u>Application of professional skepticism and professional judgment to planning and performing an assurance engagement, including obtaining and evaluating evidence;</u> • <u>Understanding information systems and the role and limitations of internal control;</u> • <u>Linking the consideration of materiality and engagement risks to the nature, timing and extent of procedures;</u> • <u>Applying procedures as appropriate to the engagement, which may include inquiry, inspection, re-calculation, re-performance, observation, confirmation, and analytical procedures;</u> • <u>Systematic documentation practices; and,</u> • <u>Application of skills and practices relevant for writing reports for assurance engagements.</u>
	Engagement Level Quality Control
24	[New] <u>The engagement partner shall possess competencies in assurance skills and techniques, and techniques, and expertise in financial reporting.</u>