



Board Meeting Summary Paper

Subject: 'Roundtable' Update – ISRE 2400

Date: 4 April 2011

AUASB
AGENDA
ITEM NO.
14(c)(ii)

Meeting Date:
18-19 April

2011

Action Required

For Information Purposes Only

Agenda Item Objectives

To inform the AUASB of the main issues raised at the 'roundtable' meeting held 29 March 2011.

Background

In January 2011, the IAASB issued Exposure Draft ISRE 2400 (Revised), Engagements to Review Historical Financial Statements seeking comments by 20 May 2011.

The exposure draft and some initial thoughts from the AUASB Technical Group were presented to the AUASB at its 28 February 2011 meeting.

The AUASB will respond to the ISRE 2400 Exposure Draft and its submission will comprise issues identified by the AUASB, the AUASB Technical Group and constituents. The draft submission will be presented to the AUASB for out-of-session approval prior to the due date.

To obtain constituents' input, the AUASB organised a 'roundtable' discussion on Tuesday 29 March 2011. Constituents comprised representatives from:

- practitioners - small, medium and large-sized firms;
- the accounting professional bodies and APESB; and
- Treasury and ASIC

In addition to issues raised on the day, attendees were asked to forward their comments to the AUASB by Wednesday 20 April 2011. This request for written comments was also published on the AUASB website to reach the wider community of interested parties.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Summary of Main Issues Raised at the ‘Roundtable’ Discussion Sessions

- a. Inconsistencies between pronouncements in the articulation of the *approach* to reviews. For example, see ISRE 2400, ISRE 2410, ISRE 3400 and ISAE 3410.
- b. No clear definition of what ‘limited assurance’ is and how it is achieved.
- c. No clarity around whether or not ‘limited assurance’ is a finite concept or a range.
- d. The proposed standard can only be effectively applied by a practitioner with assurance experience. The standard contains significant implications that the practitioner has an understanding of concepts such as ‘materiality’, ‘professional judgement’, ‘risks’ and ‘going concern’ etc. A practitioner without assurance experience would most likely have significant difficulties in applying the standard.
- e. Notwithstanding the deliberate omission of the word ‘risk’, the approach does require an assessment of risk and a response thereto (see Para. 43). This being the case, the proposed standard does not indicate how the assessment of risk (understanding of the entity and its environment) is any different to that required in an audit.
- f. Proposed standard lacks a more robust ‘risk assessment’ requirement.
- g. In the case of areas identified where material misstatements are *likely*, the proposed standard is not clear on the extent and nature of responses and particularly how they may differ from those applied in an audit.
- h. No guidance on the degree of corroboration of evidence obtained.
- i. Difficulties with meeting the Para. 43 requirement when the reviewer is required to obtain an understanding of the control environment only, as opposed to other elements of the internal control framework.
- j. No clarity on the notion of ‘scalability’ – how a practitioner determines changes in the scope of work to (cost) effectively apply the standard in differing circumstances. Especially difficult if the practitioner does not have assurance experience.
- k. Reference to ‘additional procedures’ in the review report is minimal – more elaborate/detailed wording expected.
- l. Whether there is a need for a suite of review standards or should one standard alone provide appropriate standards and guidance for all reviews. Is there a difference between the assurance obtained under ISRE 2410 and ISRE 2400?

Material Presented

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| Agenda Item 14(c)(ii) | Board Meeting Summary Paper |
| Agenda Item 14(c)(ii).1 | ISRE 2400 (electronic version only) |

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