



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

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Our ref: ICAEW Rep 140/08

Your ref:

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By email

Dear Jim

**Matters to Consider in a Revision of International Standard on Review Engagements 2400, *Engagements to Review Financial Statements***

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to comment on the consultation paper *Matters to Consider in a Revision of International Standard on Review Engagements 2400, Engagements to Review Financial Statements*.

Our comments with responses to your questions are attached.

If you have any detailed questions in relation to the response, please do not hesitate to contact me.

Yours sincerely

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## ICAEW Representation

**ICAEW REP 140/08**

**Matters to Consider in a Revision of International Standard on Review Engagements 2400, *Engagements to Review Financial Statements***

**Memorandum of comment submitted in December 2008 by the Institute of Chartered Accountants in England and Wales, in response to the consultation paper *Matters to consider in a revision of International Standard on Review Engagements 2400, Engagements to review financial statements* jointly developed by the National Standard Setter Subgroup and published in September 2008.**

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## INTRODUCTION

1. The Institute of Chartered Accountants in England and Wales (ICAEW) welcomes the opportunity to comment on the consultation paper *Matters to Consider in a Revision of International Standard on Review Engagements 2400, Engagements to Review Financial Statements* ('the preliminary consultation paper').

## WHO WE ARE

2. The Institute operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, the Institute provides leadership and practical support to over 132,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. The Institute is a founding member of the Global Accounting Alliance with over 750,000 members worldwide.
3. Our members provide financial knowledge and guidance based on the highest technical and ethical standards. They are trained to challenge people and organisations to think and act differently, to provide clarity and rigour, and so help create and sustain prosperity. The Institute ensures these skills are constantly developed, recognised and valued.

## SUMMARY OF KEY POINTS

### Technical and conceptual development to date

4. The preliminary consultation paper is useful in stimulating debate on some of the key matters that relate to the provision of a review engagement.
5. It is important to note, however, that the issues covered in the preliminary consultation paper appear to be restricted to those that might arise from applying current ISRE 2400. A great deal of work has been carried out over the past ten years in this area, and ISRE 2400, although revised to reflect the publication of ISQC1, appears to reflect thinking that was current in the 1990s.
6. We urge the IAASB to consider the technical and conceptual developments that culminated in the International Framework for Assurance Engagements (the IAASB Framework) the key concepts of which supersede those used in ISRE 2400 and in the preliminary consultation paper. Answers to some of the questions in the preliminary consultation paper may be found in the past projects. Drawing on past projects will also help the IAASB to focus on issues that have become apparent since the IAASB Framework was issued and has been applied in practice.
7. The list below includes key projects to which we specifically draw your attention. Some are mentioned in the preliminary consultation paper, but these projects should be considered within their historical context to assess their contribution to technical and conceptual developments:
  - International Auditing Practices Committee: *Reporting on credibility of information* (1997)  
This report attempted to interpret assurance as a continuum concept.

- International Auditing Practices Committee: *ISAE 100 International Standard on Assurance Engagements* (2001)  
ISAE 100 introduced the concept of high and moderate levels of assurance on which ISRE 2400 is based. However, it failed to define 'a moderate level of assurance'.
  - UK Auditing Practices Board Report: *Findings of the field trials of the Independent Professional Review* (2001)  
The field trials were conducted following the illustrative, procedures-based review engagement standard based on ISA 910 (now ISRE 2400).
  - International Federation of Accountants (IFAC): *The Determination and Communication of Levels of Assurance Other Than High* (2002)  
This research set out the concept of moderate assurance based on a survey of clients and other stakeholders and technical discussion.
  - FEE Issues paper: Principles of assurance: *Fundamental theoretical issues with respect to assurance in assurance engagements* (2003)  
The FEE Issues paper introduced the concepts of reasonable and limited assurance, explained as relative concepts, to replace high and moderate assurance. ISAE 100 and the distinction between high and moderate assurance gave rise to various technical and practical difficulties as identified in a number of projects including those listed above.
  - The IAASB Pronouncement: International Framework for Assurance Engagements and International Standard on Assurance Engagements 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (2004)  
The IAASB Framework sets out high-level principles applicable to all types of assurance services. It first adopted the relative concepts of reasonable and limited assurance, amongst other key elements of assurance engagements. ISAE 3000 is the first complete assurance standard based on the IAASB Framework.
  - AAF 03/06: *The ICAEW Assurance service on unaudited financial statements* (2006)  
AAF 03/06 provides technical guidance on performing limited assurance engagements based on the IAASB Framework. Over the past two years, the ICAEW has consulted practitioners and users, principally in the UK, about their views on the use of audit-exempt company financial information and external assurance. We have also studied the practical experience of our members performing limited assurance engagements.
8. While this preliminary consultation paper is worthwhile in raising awareness, it should not be considered an adequate basis for the IAASB to make decisions on whether and how it should revise ISRE 2400. We encourage the IAASB to thoroughly consider existing work in the context of the forthcoming revision of ISRE 2400.
  9. As stated in paragraph 7, the ICAEW has issued technical guidance broadly in compliance with the IAASB Framework, adopting reasonable and limited assurance in place of high and moderate assurance. In responding to this preliminary consultation paper, we have considered the questions in the light of a limited assurance engagement as envisaged in AAF 03/06.

10. While important technical questions are raised in the preliminary consultation paper, there are others that require due consideration from the IAASB, including:
- the practical application of concepts introduced by the IAASB Framework;
  - ways to communicate reasonable and limited assurance;
  - qualifications to limited assurance reports; and
  - the desirability of a single global review standard.

#### **Demand among stakeholders**

11. Through our own consultation, we have learnt that financial institutions such as banks and credit managers take comfort from an external assurance service. We noted that these stakeholders value practitioners' independent, professional judgement. While they greatly appreciate the audit, they also accept the limited assurance engagement envisaged in AAF 03/06 as a cost-effective alternative to the former.
12. We will publish stakeholder views as part of the ICAEW report summarising its findings to date. The report is due to be published in early 2009.

#### **Use of professional judgement should be encouraged**

13. The objective to reduce the risk of material misstatement and obtain limited assurance should be the key driver of a review engagement. This means that the practitioner may need to perform additional or alternative procedures where minimum defined procedures (analytical review and management enquiry) do not provide practitioners with the assurance required to reach a negative assurance conclusion: for example comparative information for a start-up company would be limited and may therefore require substantive procedures. In some cases, the most economical way to reach a conclusion may be to perform substantive procedures when the minimum procedures provide very little assurance (for example, the accounts of a holding company whose only asset is investments and which has no transactions during the year may be reviewed effectively by performing simple substantive procedures).
14. It is important to recognise that in different situations, the same work procedures may result in different levels of assurance because each business is different. Different work procedures can also be performed in different situations to reach the same level of assurance.
15. The practitioner should be responsible for exercising professional judgement and determining the work required to issue a review report. In the light of the variety of companies that may request a review and the variety of users of review reports, providing too much detail in a review engagement standard will reduce flexibility and cost-effectiveness. Practitioners who currently perform reviews using AAF 03/06 support this approach. Practitioners have also expressed concerns over prescriptive guidance and standards as these may result in superfluous procedures without consideration of the objective of the engagement. The use of professional judgement appears to be fundamental to preparers and users.

## **ISRE2400 and ISRE 2410 should be discussed separately**

16. There is a potential confusion over the term review if it is to be used in both ISRE 2400 and ISRE 2410. Involvement in the year end audit would provide a practitioner with the knowledge of the entity that should facilitate efficient interim reviews conducted under ISRE 2410. In contrast, ISRE 2400 deals with all other types of review engagements in which prior year experience may be limited. Accordingly, the emphasis on certain aspects of the engagement (such as the knowledge of the business and analytical review procedures) under ISRE 2400 and ISRE 2410 would inevitably differ.

## **Communication to users**

17. We appreciate that there are concerns over the understanding of levels and types of assurance by users. While we support the use of reasonable or 'limited assurance in the IAASB Framework rather than high or moderate level of assurance, we still need to explain these terms to users. There is little value in attempting to study user perceptions of limited assurance if this term is not explained to users. Equally, identifying a term which may make technical sense to practitioners does not necessarily solve the user communication issue.
18. Nevertheless, to our knowledge, neither audit-exempt companies nor other stakeholders appear to have difficulties in differentiating the types of assurance engagements. They may not necessarily be able to quantify the extent of the comfort they obtain from different types of assurance engagements. Instead, they appear to understand that reasonable and limited assurance engagements are relative concepts differentiated by a positive or negative conclusion. There are a number of negative conclusions (such as a UK charity's independent examination and a listed company's interim review) that exist in the market and users appear to be reasonably familiar with the concept.

## **Understanding the relationship between a review and a compilation**

19. The scope of the discussion should not be restricted to SME audits and reviews but should also involve accounts compilation services provided by practitioners. Assurance engagements differ from non-assurance engagements because the former contain an independent conclusion, but users appear to consider that both types of engagement provide credibility over financial information.

## RESPONSE TO SPECIFIC QUESTIONS

1. Is the concept of a 'moderate level of assurance' meaningful for practitioners?

The term moderate level of assurance is undefined and the interpretation of its meaning is subjective as is shown in the study referred to in paragraphs 23 and 24 of the preliminary consultation paper.

We prefer to use the term limited assurance in accordance with the IAASB Framework as a concept related to 'reasonable assurance' (see response to question 2).

2. How should a practitioner determine what constitutes a moderate level of assurance for a review of financial statements?

There is some guidance as to what constitutes limited assurance in contrast to reasonable assurance in paragraphs 11 and 48 of the IAASB Framework.

The definition given in the IAASB Framework indicates that limited assurance is defined by the extent of assurance that enables the practitioner to issue a negatively expressed conclusion in contrast with a positively worded conclusion (for example, an audit opinion). Both types of assurance take account of users' needs and rely on the practitioner's professional judgement.

However, further guidance for practitioners on evidence gathering and documentation might be useful because this type of engagement is still new to many practitioners.

Finally, the issue of user communication deserves separate consideration as set out in the summary of key points.

### Questions

3. Should ISRE 2400 contain requirements and guidance to assist practitioners' judgments at the pre-acceptance stage as to whether a request to undertake a review of an entity's financial statements is:

(a) practicable; and

(b) appropriate, in the sense of being likely to meet the needs and expectations of the engaging party and those parties who are intended users of the report?

(a) Yes. Reference to the IFAC Code of Ethics, ISQC1 *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements* and other applicable professional regulations would be necessary. It may also be useful to remind practitioners of the basic elements of assurance engagements from the IAASB Framework. For example, the existence of a three party relationship may not be as obvious in a review as in an audit.

(b) Yes, to the extent that voluntary review engagements will require clarification of matters such as the scope and purpose of the engagement and respective responsibilities, and these matters should be agreed in a written engagement letter.

4. Should ISRE 2400 explicitly describe the respective obligations of the entity's management and those charged with governance, and of the practitioner performing the review of the entity's financial statements?

To facilitate consistency of approach, it may be helpful for the standard to set out the obligations of management, those charged with governance (where applicable) and the practitioner. In practice, this may need to be adjusted as the responsibilities may differ depending on the circumstances and local regulatory requirements.

5. To achieve the objective of a review engagement, what factors influence the practitioner's assessment of the work effort required to provide a reasonable basis for reporting the practitioner's conclusion(s) on the financial statements? To what extent are the illustrative detailed procedures contained in Appendix 2 to ISRE 2400 used in practice?

Factors influencing the practitioner's assessment of the work effort required are both qualitative and quantitative. Examples of such factors include but are not limited to:

- the level of risk and complexity of the business;
- knowledge of the business;
- integrity of management;
- robustness of the accounting and reporting system;
- previous experience of errors/adjustments;
- pressures on the business;
- continuity and capability of staff;
- materiality;
- complexity and change in applicable accounting rules; and
- requests from management (for example, relevant to tax computation).

The last point may be unrelated to the practitioner's assessment of the work effort required to reach a limited assurance conclusion as such, but those who perform this type of service appear to perform procedures to obtain additional comfort in areas of particular concern to management.

We are not aware of the detailed procedures in Appendix 2 to ISRE 2400 being extensively used in practice. We support principle-based guidance because a detailed work programme does not encourage practitioners to exercise professional judgement which is essential in performing review engagements for a wide range of SMEs.

AAF 03/06 sets out the objectives and gives practical examples of engagement procedures in Appendix F to assist the thought process of practitioners in designing and performing engagement procedures.

6. How should a practitioner performing a review of financial statements address engagement risk when performing the review?

This should be a matter for the practitioner who should exercise judgement based on factors including those listed in the response to question 5 as well as:

- the expectations of users; and
- who else may be relying on the report and why.

Please also refer to the discussion under question 7.

7. Would the nature, timing and extent of review engagement procedures be significantly different between a review engagement based on performance of procedures without an explicit assessment of risk of misstatement in the financial statements, and a review engagement where a risk-based approach is applied to assess and respond to those risks? Would the costs of the engagement differ significantly?

In any assurance engagement, the practitioner would consider the risk of material misstatement. In a review, this will be required as part of understanding the business and its accounting policies which is a necessary precondition for the performance of analytical review and management enquiry.

How risk assessment is conducted is different between an ISA audit and a review. While an ISA audit requires an explicit assessment of risk of misstatement, in a review the risk assessment is an integral process that takes place throughout the engagement which depends on the nature, size and circumstances of the business as well as general market conditions.

For simpler entities, the risk assessment may take place when practitioners obtain an understanding of the business and its accounting policies. In contrast, for more complex entities, an upfront, more formal risk assessment may be required.

The risk assessment in a review engagement should reflect the best tradition of independent professional judgement. Practitioners determine the extent of work, which will vary depending on each engagement, to reach the limited assurance conclusion. Practitioners would need to document how they have exercised their professional judgement to select work procedures to support the conclusion.

‘An explicit assessment of risk of misstatement’ sounds like an audit procedure. If the need for assessing risk of material misstatement is given undue prominence in ISRE 2400, the level of work may increase and the review would start to resemble an audit. This would have cost implications as well as possibly leading to users taking more comfort than intended from a review.

Risk assessment itself should not result in undue costs. However, over-prescription may result in superfluous work procedures.

The objective of risk assessment is to reduce the engagement risk to an acceptable level. The extent of work will vary for each engagement and their costs will vary accordingly. Circumstances that are likely to involve additional work include:

- a new client, due to the need to understand the business to consider risk;
- a business which has experienced a major increase or decrease in size during the year;
- an entity with commercial transactions (in contrast to a holding company without any such transactions).

8. In general terms, what procedures are needed to obtain an understanding of the entity's internal control over financial reporting for purposes of performing a review of financial statements?

A practitioner would need to do some work around internal controls and document the results to understand how the entity produces its financial information. In particular, for larger entities, such consideration may help practitioners to highlight areas that may be high risk. Smaller entities' internal controls may be informal, but should provide some kind of mechanisms to manage the process of financial reporting (and the business).

We question however whether it is useful to set out detailed procedures for consideration of entities' internal controls: it should be left to the practitioner to use professional judgement. For smaller entities, where these controls and the extent of documentation are often limited, the practitioner may need to do no more than understand what accounting package is used and by whom. Procedures for smaller entities are likely to be based around enquiry of management with succinct and robust documentation.

9. If the entity does not have internal controls that would prevent or detect occurrence of misstatements in the entity's financial statements, what are the implications for the practitioner regarding the entity's internal controls for the purpose of the review?

It is unlikely that the entity has no internal controls as it would affect the business's ability to operate efficiently. Practitioners should consider if they should accept a review engagement for an entity which has no internal control in place.

Practitioners will obtain an understanding of internal controls as part of their understanding of the business and its accounting policies, but they are unlikely to rely solely on internal controls. A review is likely to involve some substantive procedures. For example, a holding company with hardly any transactions is unlikely to need formal internal controls and the practitioner may decide to perform substantive procedures instead. In contrast, it would be difficult to identify instances of understatement in a trading entity through substantive procedures if analytical review procedures do not work.

10. Does ISRE 2400 place appropriate emphasis on the use of enquiry as a source of evidence in a review engagement? To what extent, if at all, do you think use of enquiry in an engagement to review financial statements should differ from its use in an audit?

Enquiry will be used at various stages of a review engagement: for example, to understand the entity, establish the accounting principles adopted and to address inconsistencies identified from the performance of analytical review procedures.

Currently the guidance on enquiry in ISRE 2400 sets out typical uses of enquiry and hence is procedural. It may be more useful to set out what enquiry is expected to achieve: for example, to facilitate an understanding of the entity and its accounting principles, to obtain explanations for variations and, ultimately, to identify matters that require further work including substantive procedures.

We believe that the use of enquiry in a review and in an audit should be substantially the same. However the level of reliance placed on enquiry is likely to be higher in a review than in an audit. For a review, practitioners are entitled to rely on the results of enquiry to express negative assurance in the absence of anything to suggest that they should not do so.

11. Does ISRE 2400 provide sufficient guidance on how to apply analytical review procedures effectively in an engagement to review financial statements? If not, what additional guidance might be provided to assist practitioners?

ISRE 2400 gives a brief explanation of how to perform analytical review procedures, and this appears to be satisfactory. It should be left to the practitioner to consider whether analytical review procedures provide sufficient evidence or further procedures are required.

12. To what extent, if at all, do you think use of analytical review procedures in a review engagement should differ from that in an audit engagement?

We do not believe that the use of analytical review procedures is significantly different between a review and an audit. However, as is the case with management enquiry, the level of reliance placed on analytical review as primary evidence is likely to be higher in a review than in an audit. In a review engagement the extent of corroboration may not be as comprehensive as in an audit. In a review, the corroboration is limited to areas where risk of material misstatement is identified at the financial statement level while in audit this is also required for at the assertion level.

13. What situations might require a practitioner performing a review to consider, based on the results of procedures performed to obtain evidence for the conclusion on the financial statements, whether performance of additional procedures is necessary to ensure that the engagement risk is reduced to an acceptable level?

It should be left to the practitioner to determine what would constitute a significant risk of material misstatement that would need to be addressed by additional procedures.

Typical situations could include, but are not limited to:

- significant variations from expectations requiring corroborative information in addition to management explanation;
- the existence of matters that suggest the need to make a material adjustment to the financial information;
- the existence of matters that cast significant doubt on the going concern assumption; and
- non-compliance with laws or regulations that could have a material effect on financial information.

14. What factors should the practitioner consider to determine the nature and extent of further procedures required to reduce the engagement risk sufficiently to be able to express the conclusion on the financial statements?

This depends on the risk of material misstatement to which the practitioner is responding and the practitioner's judgement. For example, this may involve further discussion with management resulting in a paragraph in the management representation letter or obtaining corroborative information.

15. How, if at all, should a review of financial statements performed by a practitioner who is the entity's auditor differ from a review of financial statements performed by a practitioner who is not the entity's auditor?

As discussed within the Summary of Key Points, this depends on the sort of review the practitioner is performing. If it is an interim review of listed company financial statements, it should be a matter for ISRE2410 and should be separately discussed.

In any case, there should be no difference as to the extent of evidence required in order to reach a review conclusion although the way in which such evidence is gathered may be different because of the existence of knowledge gathered during an audit.

Review procedures should in principle be the same with practitioners obtaining enough assurance to issue a limited assurance conclusion although to do so they may carry out different amounts of work.

16. How, if at all, should the nature, scope and extent of the work carried out for an engagement to review financial statements differ depending on whether or not the report issued for the review engagement will be made public, or be published together with the financial statements reviewed?

In contrast to the audit report whose users are defined by statute, the users of a review can vary. Furthermore, if the report is made public, this could potentially increase the range of persons receiving the report who are not party to the engagement which might affect the practitioners' risk management. In some cases, parties other than management of the entity may be party to the engagement. The ICAEW provides general guidance on managing the professional liability for its members (Statement 1.311, *Managing the professional liability of accountants*) and AAF 04/06 *Assurance engagements: Management of risk and liability*.

We believe that risk management issues are best left to local jurisdictions rather than being dealt with in the international standard as the judicial tradition in each jurisdiction will invariably differ.

17. What are the key matters a practitioner performing a review of historical financial statements should be required to communicate with those charged with governance of the entity?

As for an audit, examples given in paragraph 65 appear to be reasonable. From our experience, small entities appear to welcome the feedback and follow-on advice, where appropriate, from the practitioner.

18. How can a practitioner effectively communicate the concept of a level of assurance that is less than high, as obtained in a review engagement, to the intended readers or users of a review report, so that they will be able to properly estimate the level of confidence they can associate with the review conclusion?

As discussed within the summary of key points, it is fundamental that a practitioner communicates the concept of limited assurance to users effectively.

The review report should also state specifically that the practitioner does not express an audit opinion on the financial statements. An example report or illustrative extracts consisting of essential paragraphs in the appendix to the standard would be useful to facilitate consistency.

It is important to note that the report wording alone is insufficient to ensure that users properly understand the type of assurance conveyed in reviews. IFAC and IAASB may wish to consider this as a policy issue and take actions to increase the awareness of the concepts of reasonable and limited assurance (i.e. the audit and the review) on financial statements: for example, through the development and distribution of information sheets, such as [http://www.icaew.com/index.cfm/route/152661/icaew\\_ga/pdf](http://www.icaew.com/index.cfm/route/152661/icaew_ga/pdf).

19. Can the term 'moderate level of assurance' usefully be restated as a 'plain language' term in order to assist users of review reports to better understand the underlying message conveyed by the conclusion expressed in a review report?

As already stated, we prefer the term limited assurance. We do not support the use of the terms high level or moderate level of assurance which would invite attempts to measure these concepts in numerical terms which is more misleading and confusing than helpful as demonstrated in the studies referred to in paragraph 7 of our Summary of Key Points.

An alternative may be the promotion of the term review to contrast with the term audit provided that we provide a clear definition. However, the issues discussed in our Summary of Key Points and our response to question 15 will need to be addressed at the same time.

Either way, we consider that the language is reasonably plain to practitioners. The challenge is really that of communication to management and users which we discuss in our response to question 18.

20. What form of expression of the conclusion on the financial statements in the review report might increase the perceived usefulness of a review as an alternative form of assurance engagement? Would a different expression of the practitioner's conclusion other than in negative terms increase readers' or users' understanding of the level of assurance conveyed and, if so, how should the practitioner's conclusion be expressed?

The negative form of assurance used with succinct explanations of the nature and extent of work carried out under a review seems to be the clearest way to achieve the differentiation between a limited and a reasonable assurance engagement. Stakeholders we have spoken to do not appear to have difficulties in understanding the negative form of assurance.

We consider that this area merits further debate. Some practitioners and users of the AAF 03/06 report have indicated that they would like a more positively worded conclusion than that suggested in the guidance. However, we found it difficult to construct a more positively worded opinion without either restricting the scope of the engagement (for example, giving a positive opinion on the balance sheet only) or merely confirming the successful performance of certain procedures (i.e. agreed upon procedures).

21. Given the limited work effort ordinarily undertaken for a review engagement (i.e. enquiry and analytical review procedures), what level of detail is appropriate to properly inform readers or users of the review report about the scope of the review engagement and the work undertaken for the engagement? Should practitioners be permitted to use a flexible format for their review reports to communicate the nature of the work undertaken?

Allowing a flexible format has several drawbacks: it reduces the consistency of review reports; and the market may be misled by potentially confusing the extent of work with the extent of comfort given.

There are also potential drawbacks if optional wording is allowed when additional work is undertaken by the practitioner. Some users may consider that additional work indicates that there were concerns about the financial statements while others may consider that the risk of material misstatement is reduced as a result of additional work.

AAF 03/06 encourages practitioners to use consistent wording to communicate the extent of their work as follows:

*Our work was based primarily upon enquiry, analytical procedures and assessing accounting policies in accordance with Generally Accepted Accounting Practice in the UK [the Financial Reporting Standard for Smaller Entities]. If we considered it to be necessary, we also performed limited examination of evidence relevant to certain balances and disclosures in the financial statements where we became aware of matters that might indicate a risk of material misstatement in the financial statements (Appendix E, AAF 03/06).*

22. Do the review engagement standards need to be complete in themselves so that they 'stand alone' as standards separate from the ISAs? If so, which aspects of the ISAs should be incorporated into the review engagement standards?

Yes. This is important so as to make a clear distinction between audits and reviews. However, concepts developed for ISAs which apply in the same way in a review may be incorporated into the review standard. Such concepts could include, but are not limited to:

- materiality; and
- quality control.

In the UK, reviews are requested by a broad range of entities that are exempt from statutory audit and whose users are not defined by statute. This fact alone justifies drafting the review standard as high level principles which allow 'the best traditions of independent judgment, and maintains the reputation of the profession' as stated in the IFAC's recent Policy Position: *IFAC's support for a single set of auditing standards* (page 3).