



**By e-mail < [Edcomments@ifac.org](mailto:Edcomments@ifac.org) >**

22 January 2009

Our Ref.: C/AASC

Executive Director, Professional Standards  
International Auditing and Assurance Standards Board,  
International Federation of Accountants,  
545 Fifth Avenue, 14<sup>th</sup> Floor,  
New York 10017, USA.

Dear Sir,

**[IAASB Consultation Paper "Matters to Consider in a Revision of International Standard on Review Engagements 2400 Engagements to Review Financial Statements"](#)**

The Hong Kong Institute of Certified Public Accountants is the only statutory licensing body of accountants in Hong Kong responsible for the professional training, development and regulation of the accountancy profession. The HKICPA sets auditing and assurance standards, ethical standards and financial reporting standards in Hong Kong.

We welcome the opportunity to provide you with our comments on the captioned IAASB Consultation Paper on matters to consider when revising ISRE 2400.

In summary, we are of the view that if the extant ISRE is to be revised to respond to and meet the objective of being an alternative to an audit of financial statements, the review engagement standards need to be complete in themselves. As the level of assurance given in a review engagement is different from an audit, there should be clear and distinct standards providing guidance on how such engagements should be performed.

We trust that our comments are of assistance to you. If you require any clarifications on our comments, please do not hesitate to contact me at [ong@hkcipa.org.hk](mailto:ong@hkcipa.org.hk).

Yours faithfully,

Steve Ong, FCA, FCPA  
Director, Standard Setting

SO/SH/ac

Encl.



**ATTACHMENT**

**HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' COMMENTS ON THE  
IAASB CONSULTATION PAPER "MATTERS TO CONSIDER IN A REVISION OF  
INTERNATIONAL STANDARD ON REVIEW ENGAGEMENTS 2400  
ENGAGEMENTS TO REVIEW FINANCIAL STATEMENTS"**

**Overall Comments on significant matters for consideration**

**1. Moderate Level of Assurance and Engagement Risk**

It is noted in the Consultation Paper that the term 'moderate level of assurance' is undefined in ISRE 2400. It is clear from the results of two surveys conducted by the Canadian Institute of Chartered Accountants and the IAASB that the perception of the level of assurance provided by 'moderate level of assurance' type engagements varies significantly.

Further, it is also noted that as the extant ISRE 2400 provides a negative form of assurance, further clarification may be required to better manage user expectations. Any revision to ISRE 2400 should provide clearer understanding of the intended purpose, users and deliverables of such engagements.

**2. Conditions for engagement acceptance**

The extant ISRE 2400 does not contain requirements and guidance to guide practitioners' judgement in deciding whether to accept a review engagement. Having an understanding of the needs and expectations of the intended users of the entity's financial statements would enable the practitioners to consider whether to accept the review engagement. It is crucial that the revised ISRE 2400 provides clarity on the objective of the engagement and the level of assurance pertaining to such engagements. It is therefore important for the IAASB to obtain relevant information from the various jurisdictions about its needs in this respect.

**3. Evidence to support review engagement report**

It is beneficial to practitioners and users of the review report that there is a difference in the level of work performed between a review engagement and other assurance engagements, say audit engagements. Providing guidance on the work procedures helps to ensure consistency in the work performed.

**4. Communication with those charged with governance**

Practitioners should ensure that proper communication occurs with those charged with governance of the entity. The limitations of a review engagement should be communicated clearly to those charged with governance. Guidance should also be provided in the revised ISRE 2400 on types of circumstances where communication with those charged with governance might be important.

**5. Reporting and communication with intended users**

The review report should be clear in the description of the key elements of the work the practitioner has performed for the review and the results of those procedures. To manage the expectation of the intended users, the IAASB should consider further guidance to provide a better understanding of the level assurance associated with the negative expression conclusion in a review report.



**6. The International Standards on Review Engagements**

If the extant ISRE is to be revised to respond to and meet the objective of being an alternative to an audit of financial statements, we are of the view that review engagement standards need to be complete in themselves. As the level of assurance given in a review engagement is different from an audit, there should be clear and distinct standards providing guidance on how such engagements should be performed.

**7. Other Comments**

In February 2008, the IAASB issued amendments to ISREs 2400 and 2410 to clarify their respective applicability in differing engagement contexts. However, we note that the extant ISREs 2400 and 2410 are very different in terms of structure and content, even though assurance reports with similar level of assurance are issued ultimately.

Engagements undertaken under both standards are similar in nature; hence we are of the view that the extant ISREs 2400 and 2410 should be consistent, but clear in distinguishing key differences for better understanding by practitioners and users of these review reports.

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