



Agenda Item 3A

Incremental Procedures Required to be Performed if a Review is to be Conducted in Accordance with SSARs and International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements*

This analysis was prepared by the AICPA Audit and Attest Standards staff to highlight requirements that accountants who are engaged to perform a review engagement in accordance with International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements* (ISRE 2400 (Revised)) are required to perform in addition to those requirements in AR-C section 90, *Review of Financial Statements*. This analysis is not authoritative and is prepared for informational purposes only.

Statements on Standards for Accounting and Review Services (SSARs) are standards issued by ARSC. "The Compliance With Standards Rule" of the AICPA Code of Professional Conduct (the "Code") requires a member who performs compilation, review, or other professional services addressed by SSARs to comply with standards promulgated by ARSC.

An accountant practicing in the United States of America may be engaged to review the financial statements of an entity in accordance with ISRE 2400 (Revised). In those circumstances where the accountant's review report states that the review was conducted in accordance with ISRE 2400 (Revised), the U.S. accountant should comply with both ISRE 2400 (Revised) and, as required by the Code, SSARs. An engagement of this nature is ordinarily conducted by performing a review in accordance with SSARs plus performing any additional procedures required by ISRE 2400 (Revised).

The purpose of this document is to assist the U.S. accountant in planning and performing an engagement in accordance with ISRE 2400 (Revised). However, to fully understand how ISRE 2400 (Revised) might affect the nature, timing, and extent of the procedures performed in an engagement in accordance with SSARs, the accountant should consider ISRE 2400 (Revised) in its entirety by considering the standard together with the related guidance included in ISRE 2400

(Revised). In performing a review in accordance with ISRE 2400 (Revised), the accountant also needs to comply with International Federation of Accountant's Code of Ethics.

This analysis compares ISRE 2400 (Revised), as issued as a final pronouncement in September 2012, to AR-C section 90, *Reviews of Financial Statements*.

Incremental Procedures to be Performed in a Review in Accordance with ISRE 2400 (Revised)

- **Designing and Performing Review Procedures**

In addition to the requirement in paragraph .18 of AR-C section 90 that the accountant focus analytical inquiries and inquiries in those areas where the accountant believes that there are increased risks of material misstatement, the accountant should also design and perform analytical procedures and inquiries to address all material items in the financial statements, including notes.¹

- **Inquiries of Members of Management Who Have Responsibility for Financial and Accounting Matters**

In addition to the inquiries required by paragraph .22 of AR-C section 90, the accountant should also inquire of members of management who have responsibility for financial and accounting matters concerning the financial statements about:

- a. material commitments, contractual obligations or contingencies that have affected may affect the entity's financial statements, including disclosures.²
- b. material non-monetary transactions or transactions for no consideration in the financial reporting period under consideration.³

- **Evaluating Evidence Obtained From Procedures Performed**

In addition to the requirement in paragraph .28 of AR-C section 90, if the financial statements are prepared using a fair presentation framework, the practitioner's consideration as to whether material modification should be made to the financial statements for them to be in accordance with the applicable financial reporting framework should also include:

- (a) The overall presentation, structure and content of the financial statements in accordance with the applicable framework; and

¹ Pursuant to paragraph 47(a) of ISRE 2400 (Revised)

² Pursuant to paragraph 48(h) of ISRE 2400 (Revised)

³ Pursuant to paragraph 48(i) of ISRE 2400 (Revised)

(b) Whether the financial statements, including the related notes, appear to represent the underlying transactions and events in a manner that achieves fair presentation or gives a true and fair view, as appropriate, in the context of the financial statements as a whole.⁴

- **Written Representations**

In addition to the written representations required by paragraph .22 of AR-C section 90, the accountant should also request management to provide written representations stating that:

- a. management has disclosed material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures.⁵
- b. management has disclosed material non-monetary transactions or transactions for no consideration undertaken by the entity in the financial reporting period under consideration.⁶

- **Review Documentation**

In addition to the documentation requirements in paragraphs .91-.92 of AR-C section 90, an accountant performing a review in accordance with ISRE 2400 (Revised), in documenting the nature, timing and extent of procedures performed, the accountant is required to record:

- (a) Who performed the work and the date such work was completed; and
- (b) Who reviewed the work performed for the purpose of quality control for the engagement, and the date and extent of the review.⁷

In meeting the requirement in paragraph .91c of AR-C section 90 that the accountant prepare review documentation that is sufficient to enable an experienced accountant, having no previous connection to the review, to understand significant findings or issues arising during the review, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions, the accountant should document information that the accountant identified that is inconsistent with the accountant's findings regarding significant matters affecting the financial statements and how the inconsistency was addressed.⁸

In addition to the documentation required by paragraph 92 of AR-C section 90, the accountant should document discussions with management, those charged with governance, and others as relevant to the performance of the review of significant matters arising during the engagement, including the nature of those matters.⁹

⁴ Pursuant to paragraph 71 of ISRE 2400 (Revised)

⁵ Pursuant to paragraph 62(f) of ISRE 2400 (Revised)

⁶ Pursuant to paragraph 62(g) of ISRE 2400 (Revised)

⁷ Pursuant to paragraph 94 of ISRE 2400 (Revised)

⁸ Pursuant to paragraph 96 of ISRE 2400 (Revised)

⁹ Pursuant to paragraph 95 of ISRE 2400 (Revised)