

Via email: www.iaasb.org

May 20, 2011

International Auditing and Assurance Standards Board

Re: ISRE 2400(Revised), Engagements to Review Historical Financial Statements

The Accounting Principles and Auditing Standards Committee (the AP&AS “Committee”) of the California Society of Certified Public Accountants (CALCPA) is pleased to provide our comments to the International Auditing and Assurance Standards Board (the “Board”) on this proposed standard.

The AP&AS Committee is the senior technical committee of CALCPA. CALCPA has approximately 35,000 members. The Committee is comprised of 50 members, of whom 67 percent are from local or regional firms, 23 percent are sole practitioners in public practice, 5 percent are in industry and 5 percent are in academia.

In general, the committee supports the exposure draft, with specific concerns noted in our response to the questions below.

1. Do respondents who are users or preparers of financial statements believe the proposed ISRE will result in an assurance engagement that is meaningful?

Yes

2. Do respondents who are practitioners believe that 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?

Yes

3. Do respondents believe that the objectives stated in the proposed ISRE appropriately describe the expected outcome of the practitioner’s work in a review engagement, and the means by which the objectives are to be achieved?

Yes

Is there any wording in the objectives that might have unintended consequences, or that may blur understanding of the difference between a review and an audit?

No

4. Do respondents believe that the factors affecting engagement acceptance and continuance, and the preconditions for performing a review under the proposed ISRE, are appropriate and clearly communicated in the proposed ISRE?

Yes

5. The approach to performing a review set out in the proposed ISRE (paragraphs 43 and 44) requires the practitioner to identify areas in the financial statements where material misstatements are likely to arise, based on the practitioner's understanding of the entity and its environment, and the applicable financial reporting framework, and then to focus the design and performance of inquiry and analytical procedures in those areas.

(a) Do respondents believe this approach is appropriate for a review?

We believe that the wording in this section is too easily confused with audit procedures for risk assessment and internal control. If the intent at the review level is to perform audit level risk assessment and internal control analysis, then the review would not result in a cost effective alternative to an audit. If the intent at the review level is to perform a DIFFERENT level of assessment, then the exposure draft needs to use different terms or more appropriately define the level of analysis anticipated.

Also see comment below re ¶66(b)(iv).

(b) Do respondents believe that the requirements and guidance in the proposed ISRE adequately convey this intended approach?

We believe that the ISRE should clarify the guidance as described above.

(c) Do respondents believe that the requirements and guidance relating to the practitioner's understanding (explained in paragraph 43), and designing and performing inquiry and analytical procedures (explained in paragraph 44), are sufficient to promote performance of reviews on a reasonably consistent basis with the application of the practitioner's professional judgment and understanding, taking account of the circumstances in individual review engagements?

Yes, subject to the answers in 5(a) and 5 (b).

6. Do respondents agree with the requirements and guidance in the proposed ISRE (paragraphs 57 and 58) describing the trigger point at which additional procedures are required? Do respondents agree with the related requirements concerning the practitioner's response when there are matters that cause the practitioner to believe the financial statements may be materially misstated?

Yes

7. With respect to the practitioner's review report (as illustrated in Appendix 2 of the proposed ISRE):

(a) Do respondents believe the report adequately communicates to users the work undertaken by the practitioner for the review?

Yes

(b) Do respondents believe that the form of the practitioner's conclusion (that is, –nothing has come to the practitioner's attention that causes the practitioner to believe) communicates adequately the assurance obtained by the practitioner? Is this form of wording of the practitioner's conclusion preferable to other forms that have been explored by the IAASB as discussed above, including those that use wording perceived as being more positive? If not, please explain and provide alternative wording that could be used to express the practitioner's conclusion.

Yes / Yes

(d) Is the practitioner's conclusion expressed in this form likely to be understandable and meaningful to users of the financial statements? Does this form of conclusion achieve the intended purpose of properly differentiating the conclusion reported in a review from the opinion expressed in an audit of financial statements?

Yes / Yes

Additional comments:

66(b)(iv): In a review, the practitioner should determine that the process for arriving at accounting estimates is reasonable; determining that the **amount** of the estimate is reasonable is an audit procedure.

89: We suggest including documentation that the firm's quality control procedures have been complied with.

A41: We could not determine circumstances under which this would apply. How can a practitioner compile or review financial statements if the data is unreliable?

A60: A written engagement letter should be required annually.

A95: We believe this statement needs greater clarification to determine how and when it might be applied.

A99: We feel that obtaining confirmations from third parties substantially blurs the line between audit and review. There should be clarification of unusual or rare circumstances when this might be appropriate.

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Very truly yours,

A handwritten signature in black ink that reads "Howard Sibel". The signature is written in a cursive style with a large initial 'H' and a long, sweeping tail on the 'l'.

Howard Sibelman, Chair
Accounting Principles and Auditing Standards Committee

California Society of Certified Public Accountants