

**Draft Minutes of the 41<sup>st</sup> Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD  
Held via Teleconference on July 29, 2010**

**Voting Members**

Present: Arnold Schilder (Chairman)  
Diana Hillier (Deputy Chair)  
John Archambault  
Phil Cowperthwaite  
Josef Ferlings  
Cédric Gélard  
Jon Grant  
Gert Jönsson  
Ashif Kassam  
William Kinney  
Daniel Montgomery  
Tomokazu Sekiguchi  
David Swanney  
Jianhua Tang  
Abdullah Yusuf<sup>1</sup>

**Technical Advisors**

Wolfgang Böhm (Mr. Ferlings)  
Ricardo DeLellis (Mr. Coscodai)  
Denise Esdon (Mr. Montgomery)  
Chuck Landes (Mr. Kinney)  
Pervez Muslim (Mr. Yusuf)  
Jon Rowden (Ms. Hillier)  
Tania Sergott (Ms. McCabe)  
Greg Shields (Mr. Cowperthwaite)  
Sylvia Smith (Mr. Crawford)  
Isabelle Tracq-Sengeissen (Mr. Gélard)

Apologies: Valdir Coscodai  
Craig Crawford  
Caithlin McCabe

Marek Grabowski (Mr. Grant)  
Jonas Hällström (Mr. Jönsson)  
Sachiko Kai (Mr. Sekiguchi)  
Jan Thijs Drupsteen (Mr. Kassam)  
Josephine Jackson (Mr. Archambault)  
Len Jui (Mr. Tang)

**Non-Voting Observers**

Present: Margaret Butler (EC)

Apologies: David Damant, Linda de Beer,<sup>2</sup> Norio Igarashi, and Jean-Philippe Rabine

**Public Interest Oversight Board (PIOB) Observer**

Present: Aulana Peters

**IAASB Technical Staff**

Present: James Gunn (Technical Director), Kathleen Healy, Brett James, Joanne Moores, Michael Nugent, Jessie Wong

<sup>1</sup> Attended part of the meeting due to difficulties with the teleconference connection.

<sup>2</sup> In capacity as incoming IAASB CAG Chair.

## 1. Opening Remarks

Prof. Schilder welcomed participants to the meeting, noting that the necessary quorum of IAASB members has been met. Prof. Schilder also welcomed Ms. Peters, observing the meeting on behalf of the PIOB, and Ms. Butler, observing the meeting on behalf of the European Commission.

Prof. Schilder noted that apologies were received from Messrs. Coscodai, Crawford, Damant, Igarashi and Rabine, and Mmes. McCabe and de Beer. Ms. Sergott was noted as proxy for Ms. McCabe.

## 2. Draft Revised ISRE 2400<sup>3</sup>

Mr. Cowperthwaite introduced the topic, noting the objective of seeking the IAASB's input on a proposed statement of the practitioner's objectives in the draft ISRE 2400 and related issues.

### THE PRACTITIONER'S OBJECTIVES

IAASB members generally expressed significant reservation about the Task Force's proposed form of the practitioner's objectives. It was noted that in the proposed form, the objective could be equally applicable to a reasonable assurance engagement. It was emphasized that the review of financial statements must be clearly distinguishable, as a limited assurance engagement, from an audit of financial statements.

In considering the Task Force's proposal IAASB members expressed the following views about elements that may need to be reflected in the practitioner's objectives:

- The need to perform the engagement to reduce the engagement risk to a level that is acceptable in the engagement circumstances;
- The need to reflect that the practitioner's ability to form a conclusion on the financial statements must be based on having obtained evidence that is sufficient and appropriate;
- The need for the largely procedures-based nature of the engagement to be apparent;
- The need for the work effort to be accomplished through performing sufficient procedures. This, in turn, is driven by the practitioner's knowledge and understanding of the entity and its business, which includes an understanding of where there may be a likely risk of material misstatement in the financial statements; and
- The need for the work effort to be sufficient for the practitioner to form a conclusion on the financial statements that is meaningful.

An IAASB member noted the importance of considering how to achieve a degree of consistency for in the practitioner's objectives across different types of assurance engagements, to the extent consistency is appropriate.

The IAASB asked the Task Force to give further consideration to the statement of the practitioner's objectives in the light of these comments.

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<sup>3</sup> International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Historical Financial Statements*

## FORM OF THE PRACTITIONER'S CONCLUSION

As part of the discussion of the practitioner's objectives Mr. Cowperthwaite drew attention to the Task Force's proposed wording for the form of the conclusion. He explained the Task Force's concern about use of the negative form of expression of the conclusion that the IAASB generally preferred at the June 2010 IAASB meeting,<sup>4</sup> noting that this could possibly be read literally as excluding forms of modified conclusion other than an adverse conclusion.

Many IAASB members expressed concern that, from a public interest perspective, the proposed form of conclusion would convey a level of confidence about the financial statements that is not supported by the limited assurance obtained in a review under ISRE 2400. Further, it was felt that the proposed wording would be likely to lead to confusion between reviews and reasonable assurance engagements.

The IAASB expressed the strong view that the Task Force should progress development of draft revised ISRE 2400 using the form of the conclusion agreed at the June 2010 meeting.

## "MECHANICS" OF A REVIEW ENGAGEMENT

Mr. Cowperthwaite outlined the Task Force's suggested approach to specifying requirements about the further work effort required when, after performing the review procedures, there is an indication that the financial statements are likely to be materially misstated.

An IAASB member expressed the view that, from a public interest perspective, there is no benefit in requiring the practitioner to "prove" that a material misstatement that the practitioner has cause to believe is likely to exist in the financial statements, does actually exist. It was argued that the practitioner should simply report the negatively expressed conclusion in the modified form, in line with the limited assurance nature of the engagement. Another IAASB member, however, disagreed on the basis that it is not sufficient for the practitioner to conclude on a modified basis on the financial statements as a whole without having a basis to conclude that a material misstatement actually exists in the financial statements being reviewed.

## WAY FORWARD

The IAASB asked the Task Force to consider the input received and present a revised draft of the proposed revised 2400 for its consideration at the September 2010 meeting.

### **3. Next Meeting**

The next IAASB meeting is scheduled for September 20-24, 2010 in Malta.

### **4. Closing Remarks**

Prof. Schilder thanked the participants for their contributions, and the project Task Force. He then closed the meeting.

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<sup>4</sup> "... nothing has come to the practitioner's attention that causes the practitioner to believe the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework."