



ASSURANCE REVIEW ENGAGEMENTS ON HISTORICAL FINANCIAL STATEMENTS

TECHNICAL RELEASE 09/13AAF (REVISED)

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FOREWORD

This technical release was issued by the Audit and Assurance Faculty of the Institute of Chartered Accountants in England and Wales in September 2013 and updated in September 2018 and March 2019. It provides guidance on the conduct of assurance reviews of financial statements.

WHY NOW?

The absolute number and the proportion of audit exempt companies have been growing since audit exemption was introduced in 1993, due to a number of increases in the thresholds.

When all these companies are added to the large number of unincorporated businesses out there, there is a substantial potential market for chartered accountants to offer their assurance skills to businesses who are not required to have an audit.

The International Standard on Review Engagements (ISRE) 2400 (Revised) *Engagements to Review Historical Financial Statements* provides a framework for the conduct of reviews over historical financial information, so the client will know what it is getting and the accountant has access to guidance on the service they are providing.

WHAT IS AN ASSURANCE REVIEW ENGAGEMENT?

ISRE 2400 (Revised) requires the chartered accountant to make enquiries of management, and others, and to carry out analytical procedures to gain a degree of assurance that:

- The financial statements comply with the chosen financial reporting framework and give a true and fair view; and
- Management is aware of its responsibilities for producing the financial statements.

In the UK, there are two financial reporting frameworks: EU-adopted International Financial Reporting Standards (IFRSs) and UK GAAP, and, within UK GAAP, there is a choice of the following Financial Reporting Standards (FRSs) subject to the relevant criteria being met:

- FRS 101 *Reduced Disclosure Framework*, for the individual accounts of qualifying entities;
- FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*. This includes reduced disclosures for the individual accounts of qualifying entities and for entities qualifying as small entities; and
- FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*, for entities qualifying as micro-entities and choosing to apply the micro-entities regime.

Further guidance on the application of this technical release to the micro-entities regime is provided in Appendix 7.

Further information on the UK financial reporting frameworks is available on the ICAEW website at [icaew.com/financialreporting](https://www.icaew.com/financialreporting).

To be able to perform an assurance review engagement the chartered accountant will:

- Review all material items in the financial statements.
- Consider and make enquiries of management about factors which might lead to increased risk that the financial statements may contain material misstatements or be non-compliant such as:
 - The nature of the client's business and its organisational structures
 - The incidence of fraud
 - Non-compliance with laws and regulations
 - Undisclosed related party transactions
 - Going concern problems
 - Post balance sheet events
 - Accounting estimates

ASSURANCE REVIEW ENGAGEMENTS ON HISTORICAL FINANCIAL STATEMENTS

- Suitability of accounting policies
- Significant, unusual or complex transactions or events.

Assurance review engagements, like audits, may help the chartered accountant report weaknesses and other issues that come to their attention to the directors. In other words, such engagements can generate much more value for the directors than just the assurance report itself. This represents a substantial degree of understanding of the client's circumstances. Further substantive testing is not required unless the chartered accountant has reason to be concerned about some aspect of the business. An assurance review engagement is therefore a flexible and proportionate service which can be adapted to suit different clients.

ASSURANCE REVIEW ENGAGEMENTS

INTRODUCTION

1. This technical release provides guidance to assist with compliance with ISRE 2400 (Revised) *Engagements to Review Historical Financial Statements*, issued by the International Auditing and Assurance Standards Board (IAASB). It also provides, in the appendices, illustrative letters and reports to support these engagements. It should not be regarded as a substitute for reading and understanding ISRE 2400 (Revised) which remains the appropriate standard to support assurance review engagements and is available from **IFAC**.
2. An increasing number of companies are entitled to take advantage of exemption from audit.
3. Audit exemption has created an open market for services that add credibility to the financial statements of audit exempt companies. In summary, the options available are:
 - A compilation engagement, where the chartered accountant is engaged to prepare the financial statements from accounting records provided by a company's directors but without carrying out any verification of those records. More information can be found in the International Standard on Related Services (ISRS) 4410 (Revised) *Compilation Engagements*, issued by the IAASB. ICAEW guidance can be found, for incorporated entities, in technical release **TECH 07/16AAF Chartered Accountants' reports on the compilation of financial information of incorporated entities**, and, for unincorporated entities, in technical release **TECH 08/16AAF Chartered Accountants' reports on the compilation of historical financial information of unincorporated entities**.
 - Agreed-upon procedures, which result in a report of purely factual findings relating to tests carried out. The user is left to draw their own conclusions, but will have increased confidence as these conclusions will be based on facts that have been checked by a chartered accountant. More information can be found in the International Standard on Related Services (ISRS) 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*, issued by the IAASB, and in the ICAEW technical release **TECH 10/12AAF Reporting to third parties**. An agreed-upon procedures engagement does not lead to a conclusion over the information as a whole. Instead, factual procedures (sample tests of particular balances, for example) are agreed on between the business and its chartered accountant. The accountant then carries out those procedures and reports the results, so that the business and its stakeholders can make use of them.
 - An assurance review engagement, providing limited assurance on financial statements in accordance with ISRE 2400 (Revised). Assurance review reports provide a conclusion on the basis of the work performed, which is limited in scope according to the judgement of the chartered accountant.
 - A voluntary audit carried out under International Standards on Auditing (ISAs) (UK) issued by the Financial Reporting Council (FRC). Audit reports provide an opinion giving the highest reasonable level of assurance, and remain the gold standard.
4. Assurance services have also been successfully developed to cover a wide range of other types of business information, for example an assurance engagement, providing limited or reasonable assurance, in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the IAASB. ICAEW guidance can be found in technical release **TECH 02/07AAF A framework for assurance reports on third party operations**. It may be possible to develop a bespoke assurance engagement referencing this standard and guidance. Further information on assurance engagements is available on the ICAEW website at icaew.com/assurance.

THE ADVANTAGES OF ASSURANCE REVIEW ENGAGEMENTS

5. For the chartered accountant conducting an assurance review engagement instead of an audit, the following benefits should result:
 - Audit registration, and compliance with the Audit Regulations, is not required solely as a result of carrying out assurance reviews, although the work falls within the ambit of Practice Assurance Standards.
 - Substantive testing and testing of controls are not mandated as part of the assurance review service. Any decision as to whether, and to what extent, these methods of assurance should be used is a matter of professional judgement.
 - This guidance requires compliance with the ICAEW Code of Ethics on independence, but not necessarily the more restrictive requirements of the FRC Revised Ethical Standard.

6. There has been widespread use of this technical release and ISRE 2400 (Revised) to perform assurance review engagements. Some examples include:
 - A sole practitioner found it particularly useful for some of their clients who were seeking finance from other institutions apart from the major banks.
 - Investors and lenders without access to additional financial records are in a position to benefit from the extra confidence that an assurance review provides.
 - Several clients have sold their businesses following assurance reporting, demonstrating that assurance reviews are particularly useful for companies considering an exit via a sale.
 - Property investment companies may want an alternative to an audit.
 - An assurance review could also be comforting for a company with outsourced bookkeeping, reassuring directors about this activity.
 - Under any circumstances where the accounting function is independent from the owner/manager, or directors, there may be a need for assurance.
 - Subsidiaries opting out of an audit may need some assurance for their parent company, particularly if there are bonus calculations or guarantees involved. An assurance review engagement could focus on the known risk areas.
 - Overseas parent companies are likely to understand and appreciate a review carried out of their UK subsidiaries.
 - A component auditor may be able to carry out an assurance review, rather than a full audit, on a component that is exempt from audit if that component is less significant to the group.

CONDUCT OF AN ASSURANCE REVIEW ENGAGEMENT IN ACCORDANCE WITH ISRE 2400 (REVISED)

ISRE 2400.18-20

STRUCTURE OF THIS TECHNICAL RELEASE

7. This and subsequent sections of this technical release are presented in the same order as the subsections of the requirements paragraphs of ISRE 2400 (Revised) and provide additional guidance for ICAEW members in applying the ISRE for the assurance review of a UK incorporated company.
8. References in the subsequent sections of this technical release are as follows:

X	Paragraph X of this technical release.
ISRE 2400.X	Paragraph X of the main body of ISRE 2400 (Revised)
ISRE 2400.AX	Paragraph AX of the Application and Other Explanatory Material of ISRE 2400 (Revised)
9. The general principles of this technical release may also be applied when engaged to carry out an assurance review under the ISRE of the financial statements of other types of entities, with suitable modifications.

USE OF THE TERMS 'MANAGEMENT' AND 'THOSE CHARGED WITH GOVERNANCE'

10. For the majority of small UK incorporated companies, management and those charged with governance will normally be the directors. In other types of entity they will be equivalent persons, such as the partners, proprietors, committee of management or trustees.

ETHICAL REQUIREMENTS

ISRE 2400.21

11. Chartered accountants carrying out a review under the ISRE will comply with the ICAEW Code of Ethics. In particular the independence requirements in Section 290 – Independence – Audit and Review Engagements will need to be applied. Paragraph 290.0c explains that accountants may, if more convenient, apply the independence requirements of the FRC's Ethical Standard (ES), and therefore make use of the Provisions Available for Audits of Small Entities (PAASE), as applicable.

ENGAGEMENT LEVEL QUALITY CONTROL

ISRE 2400.24-28

12. The engagement level quality control requirements of the ISRE are based on the premise that the firm complies with the IAASB standard International Standard on Quality Control (ISQC) 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*. In the UK, however, the applicable FRC standard on quality control is ISQC (UK) 1, which should be read in the context of the FRC's Scope and Authority of Audit and Assurance Pronouncements. ICAEW has published Quality control in the audit environment to provide guidance on compliance with ISQC (UK) 1, and further resources are available on the ICAEW website. This publication emphasises that ICAEW's Practice Assurance Standard 4 on quality control applies to these engagements.

ACCEPTANCE AND CONTINUANCE OF CLIENT RELATIONSHIPS

ISRE 2400.30

FINANCIAL REPORTING FRAMEWORKS

13. ISRE 2400.30(a) requires the chartered accountant to determine whether the applicable financial reporting framework is acceptable. The following frameworks will be acceptable:
 - UK GAAP (including FRS 101, FRS 102 and FRS 105).
 - IFRSs.
14. ISRE 2400.30(b) requires the chartered accountant to obtain acknowledgement that management understands its responsibilities. For a UK company, some of these responsibilities overlap with the directors' statutory duties and it may be helpful to make reference to these responsibilities in the engagement letter. Example extracts to include in an engagement letter can be found in Appendix 1.
15. When taking audit exemption, the Companies Act 2006 s475(3) requires a statement by the directors on the balance sheet acknowledging their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. An example of this statement is provided in Appendix 3.
16. This guidance requires the inclusion of a directors' responsibilities statement. An example of this statement is provided in Appendix 6.
17. It is possible to apply the principles of ISRE 2400 (Revised) to financial statements for entities which do not have to comply with a recognised GAAP but which do follow accepted accounting principles (eg, Trust accounts). The chartered accountant needs to be satisfied that the accounting policies provide sufficient detail as to the accounting basis and policies adopted and that there is sufficient information disclosed within the financial statements for purpose of the users of the financial statements. The report will need to be amended appropriately. See ISRE 2400.A40 for further information when assessing the appropriateness of the accounting framework.

UNDERSTANDING THE USE OF THE FINANCIAL STATEMENTS AND THE PROPOSED ASSURANCE REVIEW REPORT, AND MANAGING THE CHARTERED ACCOUNTANT'S RISK

18. Chartered accountants need to be aware that third parties may seek to rely on the financial statements and, indeed, the whole purpose of the assurance review engagement is to enhance their credibility.

Seeking to limit liability to third parties by means of a contract

19. Under some circumstances (for example, special purpose financial statements) it may be possible to identify in advance all the third parties who will have access to the financial statements, and therefore to the assurance review report. When all the third parties can be identified, the accountant may seek to manage their risk with a tri- partite or multi-partite engagement contract with the client and the third parties. The contract would accept that they owe a duty of care not only to the client but also to those third parties, and could then include provisions limiting liability if appropriate.
20. It is important to note that ISRE 2400 (Revised) does not require any such contract, that this approach can only be effective if all the third parties are party to the contract, and that it may prove difficult and time-consuming to negotiate if there are numerous third parties.

Seeking to limit liability to third parties by means of a disclaimer

21. It is probable that in most cases assurance review reports will be obtained over general purpose financial statements. These are likely to be made widely available. For example, they may be filed at Companies House. This will make it impossible to restrict who has access to them, and it will therefore not be possible to avoid risk by means of a contract.
22. An assurance review report appended to general financial statements can, however, include a paragraph disclaiming liability to third parties. The illustrative report in Appendix 4 includes a paragraph to this effect, which is equivalent to the Bannerman paragraph used in audit reports, and relies on the same legal precedent.

Managing the chartered accountant's risk

23. Whether the chartered accountant seeks to limit liability by means of a contract or a disclaimer, the chartered accountant's risk can be managed by good practice throughout the engagement:
 - Ensuring all members of the engagement team are familiar with the requirements of ISRE 2400 (Revised) and this technical release.
 - Ensuring the required procedures are executed, documented and reviewed carefully.
 - Setting out the scope of the engagement and the various responsibilities of management and the reviewing firm in the engagement letter.
 - Wording the assurance review report appropriately (see Appendix 4).
24. For further guidance refer to the ICAEW technical release [TECH 09/15BL *Managing the professional liability of accountants*](#), and the ICAEW technical release [TECH 04/06AAF *Assurance engagements: Management of risk and liability*](#).

PERFORMING THE ENGAGEMENT

ISRE 2400.52-54

25. In performing the engagement, the following additional sources of guidance and standards may be helpful:
- ISRE 2400.52 covers fraud and non-compliance with laws and regulations. Chartered accountants remain subject to the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. More information can be found in the *CCAB's Anti-money laundering guidance for the accountancy sector*.
 - ISRE 2400.53-54 cover going concern. The depth of work carried out by the chartered accountant will be less than that for an audit. However, the chartered accountant will need to consider the disclosures in this area in accordance with the applicable financial reporting framework and the FRC guidance for directors.

WRITTEN REPRESENTATIONS

ISRE 2400.61-65

26. Written representations are required from management by ISRE 2400.61-62. Example wording is set out in Appendix 2.

EVALUATING EVIDENCE OBTAINED FROM THE PROCEDURES PERFORMED

ISRE 2400.66-85

MODIFIED CONCLUSION

27. ISRE 2400.66–85 set out the requirement to evaluate the evidence obtained from the procedures performed and to consider the form of the chartered accountant’s conclusion.
28. Where it is necessary to issue a modified conclusion, the illustrative assurance review report in Appendix 4 can be modified in the same way shown in Appendix 2 of the ISRE 2400 (Revised), where examples 2–5 can be applied to modify example 1 as follows:
 - Example 2 contains a qualified conclusion due to apparent material misstatement of the financial statements;
 - Example 3 contains a qualified conclusion due to inability to obtain sufficient appropriate evidence;
 - Example 4 contains an adverse conclusion due to material misstatement of the financial statements; and
 - Example 5 contains a disclaimer of conclusion due to inability to complete the review.

GOING CONCERN

29. ISRE 2400.87 requires an emphasis of matter paragraph where the chartered accountant considers a matter to be of such importance that it is fundamental to users’ understanding of the financial statements. This will include where there is material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. Example wording is set out in Appendix 5.

THE ASSURANCE REVIEW REPORT

ISRE 2400.86–92

30. Appendix 4 sets out an example unmodified assurance review report for a UK incorporated company.

APPENDIX 1: ILLUSTRATIVE CONTENTS AND EXTRACTS OF AN ENGAGEMENT LETTER

The words below have been designed for use as a schedule of work in conjunction with the ICAEW Helpsheet *Engagement letters*. Please note that the wording may be adapted, as appropriate.

1. RESPONSIBILITIES AND SCOPE FOR REVIEW SERVICES**1.1 Your responsibilities as [directors] [members]**

1.1.1 As [directors] [members] of the [company] [limited liability partnership], you are responsible for preparing financial statements which give a true and fair view and which have been prepared in accordance with the Companies Act 2006 (the Act). As [directors] [designated members] you must not approve the financial statements unless you are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss of the [company] [limited liability partnership].

1.1.2 In preparing the financial statements, you are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the [company] [limited liability partnership] will continue in business.

1.1.3 You are responsible for keeping adequate accounting records that set out, with reasonable accuracy, at any time, the [company's] [limited liability partnership's] financial position and for ensuring that the financial statements comply with applicable accounting standards and with the Companies Act 2006 and give a true and fair view.

1.1.4 You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

1.1.5 You are also responsible for safeguarding the assets of the [company] [limited liability partnership] and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

1.1.6 You are responsible for ensuring that the [company] [limited liability partnership] complies with the laws and regulations that apply to its activities, and for preventing non-compliance and detecting any that occurs. This is in addition to the general duties required by directors under s.170-177 of the Companies Act 2006.

1.1.7 You have undertaken to make available to us, as and when required, all the [company's] [limited liability partnership's] accounting records and related financial information, including minutes of management and [shareholders'] [directors'] [members'] meetings, that we need to do our work.

1.2 Our responsibilities as reviewers

1.2.1 Our review will be conducted with the objective of expressing our conclusion on the financial statements. Our conclusion, if unmodified, will be in the form:

'Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared:

- so as to give a true and fair view of the state of the [company's] [limited liability partnership's] affairs as at [date], and of its profit [loss] for the year then ended;
- in accordance with [applicable accounting standards]; and

- in accordance with the requirements of the Companies Act 2006.'.

1.2.2 Our report is made solely to the [company's] [limited liability partnership's] [directors] [members], as a body, in accordance with the terms of this engagement letter. Our review work will be undertaken so that we might state to the [company's] [limited liability partnership's] [directors] [members] those matters we have agreed to state to them in a reviewer's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the [company] [limited liability partnership] and the [company's] [limited liability partnership's] [directors] [members] as a body, for our review work, for the review report, or for the conclusions we will form. The review of the financial statements does not relieve you of your responsibilities.

1.3 Scope of review

1.3.1 We will conduct our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) *Engagements to Review Historical Financial Statements* and ICAEW technical release TECH 09/13AAF (Revised) *Assurance Review Engagements on Historical Financial Information*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with the [applicable financial reporting framework]. ISRE 2400 (Revised) also requires us to comply with the ICAEW Code of Ethics[and the FRC's Ethical Standard, as applicable].

1.3.2 A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We will perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, applying analytical procedures, and evaluating the evidence obtained. We will also perform additional procedures if we become aware of matters that cause us to believe the financial statements as a whole may be materially misstated. These procedures are performed to enable us to express our conclusion on the financial statements in accordance with ISRE 2400 (Revised). The procedures selected will depend on what we consider necessary applying our professional judgement, based on our understanding of the [company] [limited liability partnership] and its environment, and our understanding of [applicable financial reporting framework] and its application in the context of your [company] [limited liability partnership].

1.3.3 A review is not an audit of the financial statements, therefore:

- There is a commensurate higher risk than there would be in an audit, that any material misstatements that exist in the financial statements reviewed may not be revealed by the review, even though the review is properly performed in accordance with ISRE 2400 (Revised).
- In expressing our conclusion from the review of the financial statements, our report on the financial statements will expressly disclaim any audit opinion on the financial statements.

1.3.4 As part of our normal review procedures, we may ask you to confirm in writing representations you have made to us during the review.

1.3.5 In respect of the expected form and content of our report, we refer you to appendix 4 of TECH 09/13AAF (Revised) *Assurance Review Engagements on Historical Financial Information*. The form and content of our report may need to be amended in the light of our findings.

1.4 Claim limitation

Additional wording to be included in the letter of engagement if a practitioner wishes to limit their liability in respect of a claim. You should consider whether this is suitable and, if necessary, take legal advice.

1.4.1 We have discussed with you the extent of our liability to you in respect of the professional services described in this engagement letter (the professional services). Having considered both your circumstances and our own, we have reached a mutual agreement that £..... insert amount represents a fair maximum limit to our liability.

1.4.2 In reaching this agreement it is also agreed that:

- in the event of any claim for loss or damage arising from the professional services, you have agreed that the sum of £..... insert amount represents the maximum total liability to you in respect of the firm, [its] [principals] [directors] [members] [and staff]; this maximum total liability applies to any and all claims made on any basis and therefore includes any claims in respect of breaches of contract, tort (including negligence) or otherwise in respect of the professional services and shall also include interest;
- we confirm that the limit in respect of our total aggregate liability will not apply to any acts, omissions or representations that are in any way criminal, dishonest or fraudulent on the part of the firm, [its] [principals] [directors] [members] [or employees] or any other liabilities that cannot be lawfully limited or excluded; and
- you have agreed that you will not bring any claim of a kind that is included within the subject of the limit against any of our [principals] [directors] [members] [or employees] on a personal basis.

APPENDIX 2: ILLUSTRATIVE MANAGEMENT REPRESENTATION LETTER

The words below have been designed to be used in conjunction with the ICAEW Helpsheet *Letters of representation*. Please note that the wording may be adapted, as appropriate.

ENTITY LETTERHEAD

Date.....

Dear Sir(s)

This representation letter is provided in connection with your review of the financial statements of..... (name of company / business / trust, etc.) for the period / year ending..... (date) for the purpose of (expressing a conclusion as to whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with (The Companies Act 2006 / other applicable legislation / and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) / International Financial Reporting Standards as adopted by the European Union).

Financial statements

1. I/We have fulfilled my/our responsibilities as (director(s) / owner(s) / proprietor(s) / trustees), as set out in the terms of your engagement dated..... (date) [under the Companies Act 2006] for preparing financial statements .) in accordance with (The Companies Act 2006 / and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) / International Financial Reporting Standards as adopted by the European Union) (, which you have drafted on my/our behalf,) which give a true and fair view of the financial position of (company / business / trust / charity, etc.) as of (date) and of the results of its operations [and its cash flows] for the year then ended and for making accurate representations to you.

Companies only

We confirm that the [company] was entitled to exemption under section [x] of the Companies Act 2006 from the requirement to have its financial statements for the financial year ended [date] audited. We also confirm that the members have not required the [company] to obtain an audit of its financial statements for the financial year in accordance with section 476 of the Act.

We acknowledge that the work performed by you is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK) and that you do not express an audit opinion.

2. Significant assumptions used by me/us in making accounting estimates, including those measured at fair value, are reasonable.
3. I/We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

4. I/We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting standards.
6. All events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements have been adjusted or disclosed in the financial statements.
7. I/We confirm the financial statements are free of material misstatements, including omissions. I/We believe that those uncorrected misstatements identified during the review are immaterial both individually and in aggregate to the financial statements as a whole. A list of these items is attached to this letter of representation, together with my/our reasons for not correcting them.
8. I/We confirm that, having considered my/our expectations and intentions for the next twelve months, and the availability of working capital, the (company / business / trust / charity, etc.) is a going concern. I/We confirm that the disclosures in the accounting policies are an accurate reflection of the reasons for my/our consideration that the financial statements should be drawn up on a going concern basis.
9. I/We confirm, in respect of the restatement made to correct a material misstatement in a prior period financial statements that affects the comparative information
.....
10. (Any other matters relevant to the financial statements that have been represented by management. For example stock or investment property valuations or bad debt or other provisions.)

Information provided

11. All accounting records and relevant information have been made available to you for the purpose of your review. We have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to obtain review evidence. All other records and related information [including minutes of all management and shareholders meetings] have been made available to you.
12. All transactions undertaken by the (company / business / trust / charity, etc.) have been properly reflected in the accounting records and are reflected in the financial statements.
13. I/We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud. I/We have disclosed to you the results of my/our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

14. I/We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves, management, employees who have significant roles in internal control, or others, where fraud could have a material effect on the financial statements.
15. I/We have disclosed to you all information in relation to allegations of fraud, or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
16. I/We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the
(company / business / trust / charity, etc.) conducts its business and which could affect the financial statements. The (company / business / trust / charity, etc.) has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
17. I/We confirm that we have disclosed to you the identity of the entity's related parties and all related party relationships and transactions relevant to the (company / business / trust / charity, etc.) that we are aware of.
18. The (company / business / trust / charity, etc.) has satisfactory title to all assets, and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.
19. There are no liabilities, contingent liabilities or guarantees to third parties other than those disclosed in the financial statements.

Companies only

20. The company has at no time during the year entered into any arrangement, transaction or agreement to provide credit facilities (including loans, quasi loans or credit transactions) for directors, nor to guarantee or provide security for such matters, except as disclosed in the financial statements.
21. (Any other information relevant to the financial statements that has been represented by management).

I/We confirm to the best of my/our knowledge and belief that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy myself/ourselves that I/we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the board of directors by:

.....(Signature)

ASSURANCE REVIEW ENGAGEMENTS ON HISTORICAL FINANCIAL STATEMENTS

.....(Director)

Date.....

APPENDIX 3: ILLUSTRATIVE DIRECTORS' BALANCE SHEET STATEMENT

For the year ending [date] the company was entitled to exemption from audit under [section 477 of the Companies Act 2006 relating to small companies]/[section 479A of the Companies Act 2006 relating to subsidiary companies]/[section 480 of the Companies Act 2006 relating to dormant companies].

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.
- [These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.]

APPENDIX 4: ILLUSTRATIVE ASSURANCE REVIEW REPORT

INDEPENDENT CHARTERED ACCOUNTANTS' REVIEW REPORT TO THE DIRECTORS OF XYZ LIMITED

We have reviewed the financial statements of XYZ Limited for the year ended [date], which comprise the [specify the titles of the primary statements] and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) / International Financial Reporting Standards as adopted by the European Union.

Directors' Responsibility for the Financial Statements

As explained more fully in the Directors' Responsibilities Statement [set out on pages ...], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Accountants' Responsibility

Our responsibility is to express a conclusion on the financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) *Engagements to review historical financial statements* and ICAEW technical release TECH 09/13AAF (Revised) *Assurance review engagements on historical financial statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with the [applicable financial reporting framework]. ISRE 2400 (Revised) also requires us to comply with the ICAEW Code of Ethics[and the FRC's Ethical Standard, as applicable].

Scope of the Assurance Review

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We have performed procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, applying analytical procedures, and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (UK). Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been prepared:

- so as to give a true and fair view of the state of the [company's] affairs as at [date], and of its profit [loss] for the year then ended;
- in accordance with [applicable accounting standards]; and
- in accordance with the requirements of the Companies Act 2006.

Use of our report

This report is made solely to the company's directors, as a body, in accordance with the terms of our engagement letter dated [date]. Our review work has been undertaken so that we might state to the company's directors those matters we have agreed to state to them in a reviewer's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our review work, for this report, or for the conclusions we have formed.

ASSURANCE REVIEW ENGAGEMENTS ON HISTORICAL FINANCIAL STATEMENTS

[Accountant's signature – name of individual or firm]

[Firm name]

Chartered Accountants

[Address] [Date]

APPENDIX 5: ILLUSTRATIVE MATERIAL UNCERTAINTY RELATED TO GOING CONCERN PARAGRAPH

We draw attention to note [X] in the financial statements, which indicates that [brief description of events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern]. As stated in note [X], these events or conditions, along with the other matters as set forth in note [X], indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

APPENDIX 6: ILLUSTRATIVE DIRECTORS' RESPONSIBILITIES STATEMENT

[The directors' responsibilities statement should be placed immediately before the assurance review report.]

The directors are responsible for preparing the [Strategic Report], Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with [United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)]. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

[Signature

Date]

APPENDIX 7: APPLICATION TO MICRO-ENTITIES REGIME

This appendix is designed to support the application of this guidance to the micro-entities regime.

Further information on FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*, for entities qualifying as micro-entities and choosing to apply the micro-entities regime, is available on the ICAEW website at icaew.com/financialreporting.

An illustrative assurance review report for micro-entities is as follows:

INDEPENDENT CHARTERED ACCOUNTANTS' REVIEW REPORT TO THE DIRECTORS OF XYZ LIMITED

We have reviewed the financial statements of XYZ Limited for the year ended [date], which comprise the [specify the titles of the primary statements] and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, Financial Reporting Standard (FRS) 105 *The Financial Reporting Standard applicable to the Micro-entities Regime* (United Kingdom Generally Accepted Accounting Practice).

Directors' Responsibility for the Financial Statements

As explained more fully in the Directors' Responsibilities Statement [set out on pages ...], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Accountants' Responsibility

Our responsibility is to express a conclusion on the financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised) *Engagements to review historical financial statements* and ICAEW technical release TECH 09/13AAF (Revised) *Assurance review engagements on historical financial statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared, in all material respects, in accordance with United Kingdom Generally Accepted Accounting Practice, specifically FRS 105. ISRE 2400 (Revised) also requires us to comply with the ICAEW Code of Ethics and the FRC's Ethical Standard, as applicable.

Scope of the Assurance Review

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. We have performed procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, applying analytical procedures, and evaluating the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (UK). Accordingly, we do not express an audit opinion on these financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements have not been:

- properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, specifically FRS 105; and

ASSURANCE REVIEW ENGAGEMENTS ON HISTORICAL FINANCIAL STATEMENTS

- prepared in accordance with the requirements of the Companies Act 2006 as applied to micro-entities.

Use of our report

This report is made solely to the company's directors, as a body, in accordance with the terms of our engagement letter dated [date]. Our review work has been undertaken so that we might state to the company's directors those matters we have agreed to state to them in a reviewer's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's directors as a body, for our review work, for this report, or for the conclusions we have formed.

[Accountant's signature – name of individual or firm]

[Firm name]

Chartered Accountants

[Address] [Date]

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