



Agenda Item 1B (1)

Q2 - Limited Assurance – Responses

Hierarchical Name	Respondent	Response	Comments
Nodes\\Q02	02 - Alpresh Shah	Changes proposed to the definition of “Limited Assurance” seems appropriate and clearly reflects what practitioners need to do in planning and performing the review engagements. The words “Meaningful Level of Assurance” sounds confusing and should not be considered in SSARS narrative/paragraphs.	
Nodes\\Q02	05 - NYSSCPA	The proposed definition will aid in performing review engagements as it better contextualizes the level of assurance, and more closely aligns with the definition in International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements.	
Nodes\\Q02	07 - NASBA	We believe that the proposed definition of limited assurance together with the associated proposed application guidance will assist practitioners. We agree that ARSC should not include the concept of meaningful level of assurance as used in ISRE 2400 (Revised) in the definition of limited assurance.	

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Nodes\\Q02	08 - Michigan OAG	We consider the proposed definition as appropriate and understandable.	
Nodes\\Q02	12 - NSAA	The proposed definition for limited assurance appears sufficient and appropriate.	
Nodes\\Q02	20 - VSCPA	We believe that the proposed definition of limited assurance provides clarity in the expected level of assurance for a review engagement and will assist practitioners in planning and performing high quality review engagements.	
Nodes\\Q02\Q02 - Agree - with revisions to definition	04 - NJCPA	<p>The Group agrees with the proposed definition of limited assurance, however the Group felt the phrasing should be modified to be less confusing by deleting the comparison to an audit engagement’s level of risk.</p> <p>The Group believes that the definition of limited assurance written in the Requirements is confusing and needs to be read several times to understand it. The Group believes this is due to using “greater than” in the description.</p> <p>The Group believes it is not necessary to refer to an audit in a description of Limited Assurance. When audit procedures are explained no comparison to review procedures are made.</p> <p>The Group agrees with the Explanatory Material in .90.A5.</p>	

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Nodes\\Q02\Q02 - Agree - with 03 - Carr Riggs
revisions to definition

CRI believes that providing a definition for limited assurance is valuable and will assist practitioners in performing review engagements. However, we suggest a definition that retains the essence of the proposed definition, but worded differently, as follows:

Limited Assurance – A level of assurance that is less than the reasonable assurance attained in an audit engagement but at an acceptable level to allow the accountant to express a conclusion that he or she is not aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.

Nodes\\Q02\Q02 - Agree - with 06 - CLA
revisions to definition

We agree that providing clarity around this would be helpful; however, it is not clear whether the addition of this definition will assist or change how practitioners plan and perform review engagements. Although we believe the addition of a definition is beneficial, we propose revising the definition to simplify as follows:

Limited assurance. The level of assurance obtained is less than that of an audit engagement. The risk of expressing an inappropriate conclusion for a review engagement regarding whether the accountant is aware of any material modifications that should be made to the financial statements in order for them to

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		<p>be in accordance with the applicable financial reporting framework is at an acceptably low level. (Ref: par. .A5)</p>	
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<p>Nodes\\Q02\Q02 - Agree - with revisions to definition</p>	<p>10 - Crowe LLP</p>	<p>We are in agreement with the wording used in paragraph A5. We concur that providing a definition of "limited assurance" is important to the proper execution of a review engagement. We agree with the divergences from the ISRE definition noted on page 7 of the exposure draft. However, we find the wording of the proposed definition to be confusing, because of the structure of the sentence. We believe a simpler definition that is consistent with the application guidance provided would be more valuable, especially for accountants who are not familiar with auditing standards. As an alternative definition, we propose "A level of assurance less than that obtained in an audit engagement, but which reduces to an acceptably low level the risk that the accountant expresses an inappropriate conclusion about whether the accountant is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework."</p>	
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<p>Nodes\\Q02\Q02 - Agree - with revisions to definition</p>	<p>13 - TIC</p>	<p>TIC believes the proposed definition of limited assurance is difficult to read and will lead to confusion as to the meaning. TIC does not believe the</p>	
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Nodes\\Q02\Q02 - Agree - with revisions to definition	14 - RSM US LLP	<p>proposed definition will lead to higher quality review engagements. A possible revision to the definition might read as follows:</p> <p style="padding-left: 40px;">Limited assurance. A level of assurance, based primarily on inquiries of management, the performance of analytical procedures, and the reading of the financial statements, including the related disclosures, to provide the accountant evidence in order for the accountant to conclude whether they are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework. The level of assurance obtained in limited assurance is substantially less than that obtained in an audit.</p> <p>TIC believes the application guidance in paragraph A5 appears to emphasize the quantity of evidence over the quality of evidence obtained. TIC believes this should be We believe defining the term “limited assurance” will assist practitioners in planning and performing review engagements, as well as clarifying to users the level of assurance to be obtained. However, we find the proposed definition difficult to understand. Proposed revised AR-C 90.07 states:</p>	
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In conducting a review of financial statements, the objectives of the accountant are to a. obtain limited assurance, primarily by performing analytical procedures and inquiries, as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework[...] (Ref: par. .A4)

We believe the language in ISRE that ties in the use of a limited assurance engagement to “enhance the intended users’ confidence about the financial statements” is very helpful and should be incorporated into the definition. Additionally, given that the term “limited assurance” is used in context within AR-C 90, as demonstrated in the preceding paragraph, we propose a more streamlined version of the revised definition of “limited assurance” in AR-C 90.05 as follows (proposed additions are shown in bold font; proposed deletions are struck through):

The level of assurance obtained ~~greater than it is in an audit engagement but is at an acceptably low level in the circumstances of the engagement~~ as the basis for expressing a conclusion about whether the accountant is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the

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applicable financial reporting framework. **Limited assurance is less than the reasonable assurance obtained in an audit but is likely to enhance the intended users' confidence about the financial statements acceptable to the circumstances of the engagement.**

Specifically, we find that starting the definition with language that the risk is "greater" than an audit engagement confusing, as it is not immediately clear it relates to engagement risk due to the length and complexity of the sentence. ISRE explicitly uses the term "engagement risk," so we believe that if the concept should be included in the definition, the language from ISRE would be clearer to users. We agree with ARSC's conclusion that not replacing "limited" with "meaningful" may be appropriate given the subjectivity of both terms, although we believe that the latter term is focused on the users' needs which we feel is important to address in the definition.

Nodes\\Q02\Q02 - Agree - with 15 - SVA CPAs revisions to definition

We do not believe the proposed definition of limited assurance is appropriate, as it is still nebulous and subject to interpretation. Specifically the phrase "acceptably low level in the circumstances of the engagement" does not have clear meaning and is still very subjective. As a result, we believe this definition would

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		<p>invite more risk to accountants providing review services. We suggest the following definition:</p> <p>The level of assurance obtained which is less than reasonable assurance obtained in an audit but is sufficient, based on the application of limited procedures including inquiry and analytical review, for expressing a conclusion about whether the accountant is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.</p> <p>We agree with the related proposed application guidance in paragraph .A5 of AR-C</p>	
<p>Nodes\\Q02\Q02 - Agree - with revisions to definition</p>	<p>16 - Baker Tilly</p>	<p>While we do not believe that this was the Committee’s intention, we believe that the proposed definition suggests that accountants would be required to obtain a higher level of assurance than what is required under current SSARS due to the wording used in the proposed definition (i.e. “the risk that the accountant expresses an inappropriate conclusion... is at an acceptably low level”). We also believe that including the phrase, “in the circumstances of the engagement” suggests that the level of assurance required to be obtained is not objective and could be different from engagement to engagement. To resolve these issues, we would suggest revising the proposed definition as follows, “The level of assurance obtained at which the risk that the accountant</p>	

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expresses an inappropriate conclusion is greater than it is in an audit engagement but is at an acceptably low level low enough in the circumstances of the engagement as to provide a the basis for expressing a conclusion about whether the accountant is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.”

Nodes\\Q02\Q02 - Agree - with 18 - Navolio Tallman
revisions to definition

We believe that the proposed definition seems to incorporate an element of the definition of a reasonable assurance engagement. Specifically, the proposed definition incorporates the concept of reducing the risk that the accountant expresses an inappropriate conclusion to an acceptably low level. We believe that this implies the need to perform a risk assessment and that a more appropriate definition could be “The level of assurance obtained at which the risk is reduced to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for expressing a conclusion about whether the accountant is aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework.”

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Nodes\\Q02\Q02 - Agree - with revisions to definition **22 - FICPA**

The Committee considered the proposed definition of “limited assurance” and agrees with the concept because it more closely aligns with the International Standard on Review Engagements (ISRE) 2400 (Revised), Engagement to Review Historical Financial Statements. However, some Committee members do not feel comfortable with the phrase “acceptably low level” of risk in the definition because it’s too close to the criteria for audit engagements. The Committee thinks that, instead of focusing on the level of risk, accountants should focus on the quality of the review evidence obtained as a result of performing selected procedures to arrive at the conclusion.

Nodes\\Q02\Q02 - OK with proposed definition but it is not needed **09 - ICPAS**

The Committee believes the proposed definition of limited assurance appropriately defines the related concept. However, we also believe this term is currently well understood, and therefore the addition of this definition will not provide practitioners additional assistance in planning and performing high-quality review engagements.

Nodes\\Q02\Q02 - Disagree with definition, unless changes are made throughout professional standards **11 - KPMG LLP**

We acknowledge the Committee’s desire to converge the Statements of Standards for Accounting and Review Services (SSARs or the Standards) with the International Standard on Review Engagements (ISRE) 2400 (Revised), Engagement to Review Historical Financial Statements, to facilitate the accountant’s ability to perform and report on engagements under both sets of standards

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and to eliminate unnecessary differences. Reasonable convergence among standards issued by other standard setters helps to enhance comparability across the globe and, because it also affects the quality of review services, it is in the public interest.

ARSC is not proposing to change the name of the engagement to a *limited assurance engagement*. The proposal is to define *limited assurance* so as to provide a “target” for accountants as they consider whether sufficient appropriate review evidence has been obtained.

As we stated in our comment letter addressing the Auditing Standard Board’s exposure draft on Proposed Statement on Standards for Attestation Engagements Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification, we do not support the change to the definition of a review engagement to a limited assurance engagement. The term review engagement is widely recognized and is used consistently in other professional standards such as AICPA AU-C section 930, Interim Financial Information, and PCAOB AS 4105, Reviews of Interim Financial Information, and where the objective is to identify whether any material modifications should be made to the subject matter of the review. Without a

corresponding change across all AICPA standards, users could be confused or presume that there is a difference between a limited assurance engagement and an AU-C interim review or an AR-C review, when they have similar objectives and levels of assurance.

Recognizing that, we believe the definition of ‘limited

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		assurance' would create unnecessary differences between existing review engagement standards and may create potential confusion by practitioners and users of financial statements, especially in the United States.	
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Nodes\\Q02\Q02 - Disagree with definition, unless changes are made throughout professional standards	19 - Grant Thornton	We generally support the proposed definition of "limited assurance," including the ARSC's decision not to include the concept of a "meaningful" level of assurance in the proposed definition. However, we do not believe the addition of this term to the list of definitions would assist the practitioner in planning and performing high-quality review engagements. Accordingly, we recommend further outreach be performed to identify the impact of the change, including whether additional costs or unintended consequences may result as the result of revising the definition. Accordingly, we would recommend not to add this term to the list of definitions until further outreach is complete. Further, we recommend that, if this update is made, corresponding updates should be considered to the SSAEs.	
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Nodes\\Q02\Q2 - Disagree with definition of limited assurance	21 - Deloitte	At this time, D&T does not believe including the definition of limited assurance will assist accountants in planning and performing high-quality review engagements. While limited assurance is defined in ISRE 2400 (Revised), there is currently no similar definition in the professional standards issued by the AICPA. From a practical standpoint, D&T is not	
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aware of any known issues from an execution or reporting perspective due to there being no definition of the term “limited assurance” or any practice issues resulting from confusion over the meaning of the term. We believe that revised paragraphs .07 and A4 of AR-C 90 of the proposed ED provide accountants an adequate basis to understand the concept of limited assurance. We recommend deleting the definition and the related application material as no further clarification is needed in the SSARS at this time.