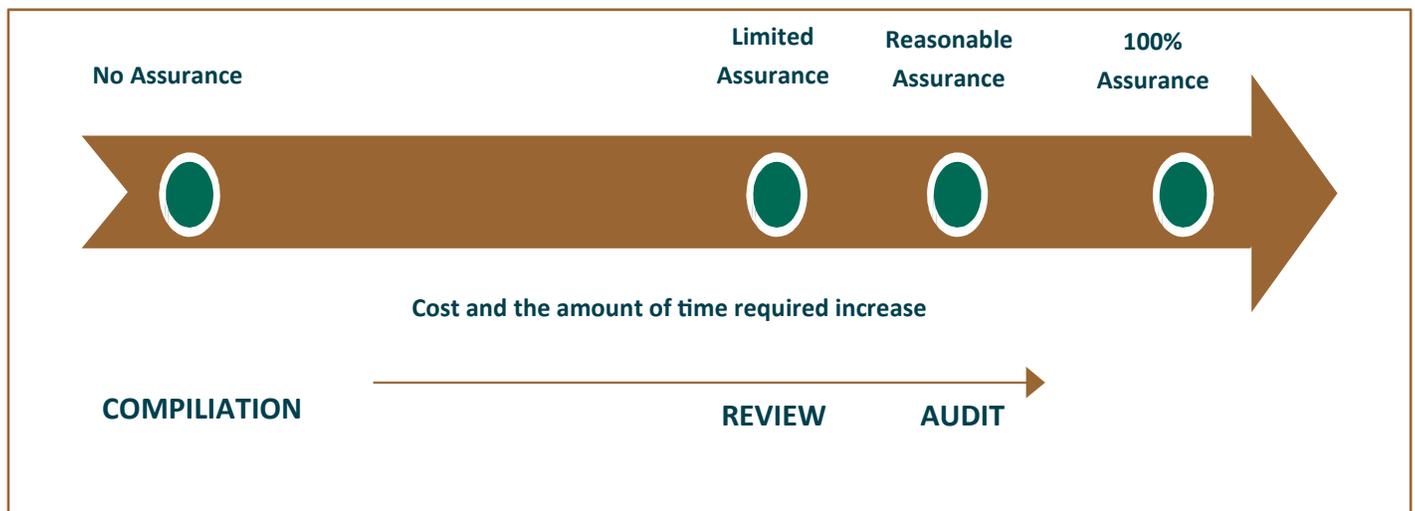


## The report from a CPA who performs a review engagement is changing

Canadian Standard on Review Engagements (CSRE) 2400, Engagements to Review Historical Financial Statements was issued March 31, 2016, and is effective for reviews of annual and interim financial statements for periods ending on or after December 14, 2017. Early application is not permitted.

It is important to remember that the implementation of CSRE 2400 does not change the responsibility of the entity to prepare financial statements. A review engagement report provides limited assurance that the financial statements are prepared in accordance with the applicable financial reporting framework (e.g., Accounting Standards for Private Enterprises, Accounting Standards for Not-for-Profit organizations).

To understand the benefits and limitations of a review engagement (as compared to a compilation engagement and an audit engagement) it can be useful to illustrate the nature of the three engagements as follows:



## Changes to Review Engagements—What should I expect?

- **New letters:** We will require you to sign a new engagement letter. This letter will explain your responsibilities and your practitioner’s responsibilities relating to the review engagement. There will also be changes to the representation letter.
- **More communication:** The new review engagement standard includes a greater emphasis on communication with you as management (and those charged with governance, if separate), including:
  - ⇒ communication of all misstatements accumulated during the review and a request that management correct those misstatements
  - ⇒ a request for written representation of management about whether they believe the effects of uncorrected misstatements are immaterial, individually or in the aggregate, to the financial statements as a whole
- **More discussion and inquiry:** The new review engagement standard emphasizes focusing on the areas where material misstatements are likely to occur. Therefore, different questions may be asked because there are more specific requirements in this new standard regarding the inquiry and analytics to be performed.
- **A new report:** The most significant change you may notice is to the review engagement report (the communication attached to the reviewed financial statements). A sample report is included in this package on subsequent pages.
  - ⇒ The previous review engagement report briefly described what a review is and provided the practitioner’s conclusion.
  - ⇒ The new report summarizes both management’s and the practitioner’s responsibilities (describing a review engagement as a limited assurance engagement) and then provides the practitioner’s conclusion.
  - ⇒ **Remember:** A review engagement is not an audit; it is a limited assurance engagement. The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit.
  - ⇒ Based on certain circumstances, the review engagement report may also include an Emphasis of Matter paragraph or Other Matter paragraph:
    - I. **Emphasis of Matter paragraphs** will be included if the practitioner considers it necessary to draw users’ attention to a matter presented or disclosed in the financial statements that, in the practitioner’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements. Such paragraphs will refer only to information presented or disclosed in the financial statements.
      - ◆ Examples include: when the financial statements are for a special purpose (e.g., financial statements prepared in accordance with the financial reporting provisions of an agreement) because they may not be suitable for another purpose if a material uncertainty exists relating to going concern
    - II. **Other Matter paragraphs** will be included if the practitioner considers it necessary to communicate a matter other than those presented or disclosed in the financial statements that, in the practitioner’s judgment, is relevant to users’ understanding of the review, the practitioner’s responsibilities or the practitioner’s report
      - ◆ Examples include: when the prior-period financial statements were reviewed or audited by a predecessor practitioner when the prior-period financial statements were not reviewed or audited

## A Review Engagement Report with an Unmodified Conclusion

### INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the shareholders of ABC Company:

We have reviewed the accompanying financial statements of ABC Company that comprise the balance sheet as at December 31, 20X1, and the statements of income, retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. 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 do not present fairly, in all material respects, the financial position of ABC Company as at December 31, 20X1, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Ward & Uptigrove  
Chartered Professional Accountants  
Licensed Public Accountant

Management's  
Responsibility

Practitioner's  
Responsibility

Limited  
Assurance

Conclusion