

[CLEAN COPY]**REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY
THE AUDITOR OF THE ENTITY****CONTENTS**

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International Standards on Review Engagements (ISRE) XXXX, “Review of Interim Financial Information Performed by the Auditor of the Entity” should be read in the context of the “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services,” which sets out the application and authority of ISREs.

Introduction

1. The purpose of this International Standard on Review Engagements (ISRE) is to establish standards and provide guidance on the auditor's professional responsibilities when an auditor undertakes an engagement to review interim financial information of an audit client, and on the form and content of the report. The term "auditor" is used throughout this ISRE, not because the auditor is performing an audit function but because the scope of this ISRE is limited to a review of interim financial information performed by the auditor of the entity.¹
2. For purposes of this ISRE, interim financial information is financial information that is prepared in accordance with an applicable financial reporting framework² and comprises either a complete or a condensed set of financial statements for a period that is shorter than the entity's financial year.
3. **An auditor of an entity who is engaged to perform a review of interim financial information should perform the review in accordance with this ISRE.** Through performing the audit of the annual financial statements, the entity's auditor obtains an understanding of the entity and its environment, including its internal control. This understanding, which is updated through inquiries made in the course of the review of the interim financial information, assists the auditor in focusing the inquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of interim financial information and who is not the auditor of the entity performs the review in accordance with ISRE 2400 "Engagements to Review Financial Statements".

General Principles of a Review of Interim Financial Information

4. **The auditor should comply with the relevant ethical requirements relating to a review of interim financial information.** These ethical requirements govern the auditor's professional responsibilities in the following areas: independence, integrity, objectivity, professional competence and due care, confidentiality, professional behavior and technical standards.
5. **The auditor should implement those quality control procedures that are, in the context of the policies and procedures of the firm, appropriate to a review of interim financial information.** These quality control procedures relate to leadership and responsibilities, acceptance and continuance of client relationships and specific engagements, human resources, engagement performance, engagement quality control review and monitoring.
6. **The auditor should plan and perform the review with an attitude of professional skepticism recognizing that circumstances may exist that cause the interim financial information to require a material adjustment for it to be in accordance with the identified**

¹ While this ISRE is directed towards the review of interim financial information by the auditor of an entity, it may be used by the auditor in a review of annual financial statements performed in addition to the audit, such as a review of annual financial statements to be performed at the request of management in the context of a group audit.

² For example, International Financial Reporting Standards as issued by the International Accounting Standards Board.

financial reporting framework. An attitude of professional skepticism means that the auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by management of the entity.

Objective of an Engagement to Review Interim Financial Information

7. The objective of an engagement to review interim financial information is to enable the auditor to express a conclusion whether the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with an applicable financial reporting framework. The conclusion is expressed on the basis of inquiries made, analytical and other review procedures applied which do not provide all the evidence that would be required in an audit.
8. The objective of a review of interim financial information differs significantly from that of an audit conducted in accordance with ISAs. A review of interim financial information does not provide a basis for expressing an opinion whether the financial information gives a true and fair view, or is presented fairly in all material respects, in accordance with an applicable financial reporting framework. In a review of interim financial information, the auditor reduces to a moderate level the risk of expressing an inappropriate conclusion when the interim financial information is materially misstated. The review provides the auditor with a basis to express a conclusion whether the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with an applicable financial reporting framework. A review consists of making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review may bring significant matters affecting the interim financial information to the auditor's attention, but it does not enable the auditor to obtain assurance that the auditor will become aware of all significant matters that might be identified in an audit.

Agreeing on the Terms of the Engagement

9. **The auditor and the client should agree on the terms of the engagement.**
10. The agreed terms of the engagement are ordinarily recorded in an engagement letter; alternatively, the auditor records the agreed terms in writing and forwards them to the client. Such a communication helps to avoid misunderstandings regarding the nature of the engagement and in particular, the objective and scope of the review, management's responsibilities, the extent of the auditor's responsibilities, the assurance obtained and the nature and form of the report. The communication ordinarily covers the following matters:
 - The objective of a review of interim financial information, which is to enable the auditor to express a conclusion whether, on the basis of the inquiries made and analytical and other review procedures applied, the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with an applicable financial reporting framework.
 - The scope of the review, including the fact that it consists of making inquiries of persons responsible for financial and accounting matters and applying analytical and other review

procedures and does not, ordinarily, require corroboration of the information obtained and does not enable the auditor to obtain assurance that the auditor will become aware of all significant matters that might be identified in an audit.

- The scope of a review is substantially less than the scope of an audit conducted in accordance with ISAs, the objective of which is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.
- Management's responsibility for the interim financial information.
- Management's responsibility for establishing and maintaining effective internal control.
- Management's responsibility for making all financial records and related information available to the auditor.
- Management's agreement to provide written representations to the auditor to confirm representations made orally during the review, as well as representations that are implicit in the entity's records.
- The anticipated form and content of the report to be issued, including the identity of the addressee of the report.
- Management's agreement that, where any document containing interim financial information indicates that the interim financial information has been reviewed by the entity's auditor, the review report will also be included in the document or management will indicate in the document where such a report can be obtained.

An illustrative engagement letter is set out in Appendix 1 to this ISRE. The terms of engagement to review interim financial information can also be combined with the terms of engagement related to the audit of the annual financial statements.

Procedures for a Review of Interim Financial Information

UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT, INCLUDING ITS INTERNAL CONTROL

11. **The auditor should have an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both annual and interim financial information, sufficient to plan and conduct the engagement so as to be able to:**
 - (a) **Identify the types of potential material misstatement and consider the likelihood of their occurrence; and**
 - (b) **Select the inquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework.**
12. As required by ISA 315 "Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement" the auditor who has audited the entity's financial statements for one or more annual periods has obtained an understanding of the entity and its environment,

including its internal control, as it relates to the preparation of annual financial information that was sufficient to conduct the audit. In planning a review of interim financial information, the auditor updates this understanding. The auditor also obtains a sufficient understanding of internal control as it relates to the preparation of interim financial information as it may differ from internal control as it relates to annual financial information, for example, a greater use of estimation methods in the determination of interim financial measurements.

13. The auditor uses the understanding of the entity and its environment, including its internal control, to determine the inquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which inquiries may be directed or analytical or other review procedures applied.
14. The procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control ordinarily include:
 - Reading the documentation, to the extent necessary, of the preceding year's audit and reviews of prior interim period(s) of the current year and corresponding interim period(s) of the prior year, to enable the auditor to identify matters that may affect the current-period interim financial information.
 - Considering any significant risks, including the risk of management override of controls that were identified in the audit of the prior year's financial statements.
 - Reading the most recent annual and comparable prior period interim financial information.
 - Considering materiality to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements.
 - Considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's financial statements.
 - Considering significant financial accounting and reporting matters that may be of continuing significance such as material weaknesses in internal control.
 - Considering the results of any audit procedures performed with respect to the current year's financial statements.
 - Considering the results of any internal audit performed and the subsequent actions taken by management.
 - Inquiring of management about the results of management's assessment of the risk that the interim financial information may be materially misstated as a result of fraud.
 - Inquiring of management about the effect of changes in the entity's business activities.
 - Inquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of interim financial information.
 - Inquiring of management of the process by which the interim financial information has been prepared and the reliability of the underlying accounting records to which the interim financial information is agreed or reconciled.

15. The auditor determines the nature of the review procedures, if any, to be performed for subsidiaries, divisions or branches. Factors to be considered include the materiality of, and risk of misstatement in, the interim financial information of subsidiaries, divisions or branches and the auditor's understanding of the extent to which internal control over the preparation of such information is centralized or decentralized.
16. **In order to plan and conduct a review of interim financial information, a recently appointed auditor of the entity, who has not yet performed an audit of the annual financial statements in accordance with ISAs, should obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both annual and interim financial information.**
17. This understanding enables the auditor to focus the inquiries made and the analytical and other review procedures applied in performing a review of interim financial information in accordance with this ISRE. As part of obtaining this understanding, the auditor ordinarily makes inquiries of the predecessor auditor and where practicable reviews the predecessor auditor's documentation for the preceding annual audit and for any prior interim periods in the current year, that have been reviewed by the predecessor auditor. In doing so, the auditor considers the nature of any corrected misstatements, and any uncorrected misstatements aggregated by the auditor, any significant risks, including the risk of management override of controls and significant accounting and any reporting matters that may be of continuing significance, such as material weaknesses in internal control.

MATERIALITY

18. The auditor's consideration of materiality for a review of interim financial information is generally based on the interim period financial data. However, if the entity's business is subject to cyclical variations or if the financial results for the current period show an exceptional decrease or increase compared to prior interim periods and expected results for the current year, the auditor may conclude that materiality is more appropriately determined using a normalized figure for the interim period.

INQUIRIES, ANALYTICAL AND OTHER REVIEW PROCEDURES

19. **The auditor should make inquiries of persons responsible for financial and accounting matters and perform analytical and other review procedures to enable the auditor to conclude whether, on the basis of the procedures performed, the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework.**
20. A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of interim financial information are limited to making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning significant accounting matters relating to the interim financial information. The auditor's understanding of the entity and its environment, including its internal

control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the interim financial information, influences the inquiries made and analytical and other review procedures applied. For example, if the auditor becomes aware of a significant change in the entity's control activities at a particular location, the auditor may consider:

- (a) Making additional inquiries, such as inquiring whether management monitored the changes and considered whether they were operating as intended; or
- (b) Applying additional or more extensive analytical procedures.

21. The auditor ordinarily performs the following procedures:

- Reading the minutes of the meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the interim financial information and inquiring about matters dealt with at meetings for which minutes are not available, that may affect the interim financial information.
- Considering the effect, if any, of matters giving rise to a modification of the audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
- Communicating, where appropriate, with other auditors who are performing a review of the interim financial information of the reporting entity's significant subsidiaries or associates.
- Inquiring of members of management responsible for financial and accounting matters about the following:
 - Whether the interim financial information has been prepared in accordance with the applicable financial reporting framework.
 - Whether there have been any changes in accounting principles or in the methods of applying them.
 - Whether any new transactions have necessitated the application of a new accounting principle.
 - Whether the interim financial information contains any known uncorrected misstatements.
 - Unusual or complex situations that may have affected the interim financial information, such as a business combination or disposal of a segment of the business.
 - Significant assumptions that are relevant to the fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity.
 - Whether related party transactions have been appropriately accounted for and disclosed in the interim financial information.
 - Significant changes in commitments and contractual obligations.

- Significant changes in contingent liabilities including litigation or claims.
 - Compliance with debt covenants.
 - Matters about which questions have arisen in the course of applying the review procedures.
 - Significant transactions occurring in the last several days of the interim period or the first several days of the next interim period.
 - Knowledge of any fraud or suspected fraud affecting the entity involving:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the interim financial information.
 - Knowledge of any allegations of fraud, or suspected fraud, affecting the entity's interim financial information communicated by employees, former employees, analysts, regulators or others.
 - Knowledge of any actual or possible noncompliance with laws and regulations whose effects could have a material effect on the interim financial information.
- Applying analytical procedures to the interim financial information designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the interim financial information. Analytical procedures may include ratio analysis and statistical techniques such as trend analysis or regression analysis and may be performed manually or with the use of computer-assisted techniques. Appendix 2 to this ISRE contains examples of analytical procedures the auditor may consider when performing a review of interim financial information.
 - Reading the interim financial information to consider whether, on the basis of information coming to the auditor's attention, the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework.
22. The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the interim financial information. For example, it may be practicable to update the understanding of the entity and its environment, including its internal control, and begin reading applicable minutes before the end of the interim period. Performing some of the review procedures earlier in the interim period also permits early identification and consideration of significant accounting matters affecting the interim financial information.
23. The auditor performing the review of interim financial information is also engaged to perform an audit of the annual financial statements of the entity. For convenience and efficiency, certain audit procedures may be performed concurrently with the review of interim financial information. For example, information gained from reading the minutes of meetings of the

board of directors in connection with the review of the interim financial information also may be used for the annual audit. There may also be significant or unusual transactions that occurred during the interim period under review for which auditing procedures that would need to be performed for the purpose of the audit of the annual financial statements could be performed, to the extent practicable, at the time of the interim review, for example, business combinations, restructurings, or significant revenue transactions.

24. A review of interim financial information ordinarily does not require corroborating the inquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an inquiry letter to the entity's lawyer. Direct communication with the entity's lawyer with respect to litigation or claims may, however, be appropriate if the auditor becomes aware of information that leads the auditor to question whether a material adjustment should be made for the interim financial information to be in accordance with the applicable financial reporting framework, and the auditor believes the entity's lawyer may have pertinent information.
25. **The auditor should obtain evidence that the interim financial information agrees or reconciles with the underlying accounting records.** The auditor may obtain evidence that the interim financial information agrees or reconciles with the underlying accounting records by tracing the interim financial information to:
 - (a) The accounting records, such as the general ledger;
 - (b) A consolidating schedule derived from the accounting records; or
 - (c) Other supporting data in the entity's records.
26. **The auditor should inquire whether management has identified all events up to the date of the review report that may require adjustment to or disclosure in the interim financial information.** It is not necessary for the auditor to perform procedures to identify events occurring after the date of the review report.
27. **The auditor should inquire whether management has changed its assessment of the entity's ability to continue as a going concern. When, as the result of this inquiry or other review procedures, the auditor becomes aware of events or conditions which may cast significant doubt on the entity's ability to continue as a going concern the auditor should:**
 - (a) **Inquire of management as to its plans for future actions based on its going concern assessment, the feasibility of these plans and whether management believes that the outcome of these plans will improve the situation; and**
 - (b) **Consider the adequacy of the disclosure about such matters in the interim financial information.**
28. Events or conditions which may cast significant doubt on the entity's ability to continue as a going concern may have existed at the date of the annual financial statements or may be identified as a result of inquiries of management or in the course of performing other review procedures. When the auditor becomes aware of such events or conditions, the auditor inquires

of management as to its plans for future action, such as its plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. The auditor also inquires as to the feasibility of management's plans and whether management believes that the outcome of these plans will improve the situation. However, it is not ordinarily necessary for the auditor to corroborate the feasibility of management's plans and whether the outcome of these plans will improve the situation.

29. **When the auditor becomes aware of information that leads the auditor to question whether a material adjustment should be made for the interim financial information to be in accordance with the applicable financial reporting framework, the auditor should make additional inquiries or perform other procedures to enable the auditor to express a conclusion in the review report.** For example, if the auditor's review procedures lead the auditor to question whether a significant sales transaction is recorded in accordance with the applicable financial reporting framework, the auditor performs additional procedures, such as discussing the terms of the transaction with senior marketing and accounting personnel or reading the sales contract, to resolve the auditor's questions.

Evaluation of Misstatements

30. **The auditor should evaluate, individually and in the aggregate, whether uncorrected misstatements of which the auditor has become aware are material to the interim financial information.**
31. A review of interim financial information, in contrast to an audit engagement, is not designed to obtain reasonable assurance that the interim financial information is free from material misstatement. However, misstatements of which the auditor has become aware, including inadequate disclosures, are evaluated individually and in the aggregate to determine whether a material adjustment is required to be made to the interim financial information for it to be in accordance with the applicable financial reporting framework.
32. The auditor exercises professional judgment in evaluating the materiality of any misstatements that the entity has not corrected. The auditor considers matters such as the nature, cause and amount of the misstatements, whether the misstatements originated in the preceding year or interim period of the current year and the potential effect of the misstatements on future interim or annual periods.
33. The auditor may designate an amount below which misstatements need not be accumulated, because the auditor expects that the accumulation of such amounts would not have a material effect on the interim financial information. In so doing, the auditor considers the fact that the determination of materiality involves quantitative as well as qualitative considerations and that misstatements of a relatively small amount could nevertheless have a material effect on the interim financial information.

Management Representations

34. **The auditor should obtain written representations from management that:**

- (a) **It acknowledges its responsibility for the implementation and operation of accounting and internal control systems that are designed to prevent and detect fraud and error;**
 - (b) **The interim financial information is prepared and presented in accordance with the applicable financial reporting framework;**
 - (c) **It believes the effect of those uncorrected misstatements identified by the auditor during the review are immaterial, both individually and in the aggregate, to the interim financial information taken as a whole. A summary of such items is included in or attached to the written representations;**
 - (d) **It has disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to management that may have affected the entity;**
 - (e) **It has disclosed to the auditor the results of its assessment of the risk that the interim financial information may be materially misstated as a result of fraud;**
 - (f) **It has disclosed to the auditor all known actual or possible noncompliance with laws and regulations whose effects are to be considered when preparing the interim financial information; and**
 - (g) **It has disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the interim financial information.**
35. The auditor obtains additional representations as are appropriate related to matters specific to the entity's business of industry. An illustrative management representation letter is set out in Appendix 3 to this ISRE.

Auditor's Responsibility for Accompanying Information

36. **The auditor should read the other information that accompanies the interim financial information to consider whether any such information is materially inconsistent with the interim financial information.** If an amendment is necessary in the other information that accompanies the interim financial information, and management refuses to make the amendment, the auditor considers including in the review report an additional paragraph describing the material inconsistency or the auditor considers taking other actions such as withholding the issuance of the review report or withdrawing from the engagement. For example, management may present alternative measures of earnings that more positively portray financial performance than the interim financial information, and such alternative measures are given excessive prominence, are not clearly defined, or not clearly reconciled to the interim financial information and they are confusing and potentially misleading.
37. **If the auditor becomes aware that the other information appears to include a material misstatement of fact, the auditor should discuss the matter with the entity's management.** While reading the other information for the purpose of identifying material inconsistencies, the auditor may become aware of an apparent material misstatement of fact (i.e. information, not related to matters appearing in the interim financial information, that is incorrectly stated or presented). When discussing the matter with the entity's management, the auditor considers the

validity of the other information and management's responses to the auditor's inquiries, whether valid differences of judgment or opinion exist and whether to request management to consult with a qualified third party to resolve the apparent misstatement of fact. If an amendment is necessary to correct a material misstatement of fact and management refuses to make the amendment, the auditor considers taking further action as appropriate, such as notifying those charged with governance and obtaining legal advice.

Inability to Complete a Review

- 38. When an auditor is unable to complete the review and issue a review report, the auditor should communicate the reason why the review cannot be completed to the appropriate level of management and to those charged with governance.**
39. An auditor does not accept an engagement to review the interim financial information if the auditor's preliminary knowledge of the engagement circumstances indicates that the auditor would be unable to complete the review, for example, because there will be a limitation on the scope of the auditor's review. This would also be the case if a limitation on the scope of the last audit of the annual financial statements has not been resolved.
40. When an auditor is unable to perform the procedures the auditor considers necessary to achieve the objective of a review of interim financial information, or when management does not provide the written representations the auditor believes are necessary, the review will be incomplete. For example, the review would be incomplete if the entity's internal control appears to contain deficiencies so significant that it would be impracticable for the auditor to effectively perform review procedures that would provide a basis for reporting whether the auditor is aware, on the basis of the procedures performed, of any material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework.
41. If the auditor cannot complete the review, the auditor considers the professional and legal responsibilities in the circumstances, including whether there is a requirement for the auditor to report to the person or persons who made the appointment or in some cases to regulatory authorities. If that is the case, the auditor communicates in writing with the person or persons who made the appointment or, if applicable, the regulatory authorities, stating that because the auditor was unable to complete the review, the auditor is unable to express a conclusion as to whether the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework. Nevertheless, if the auditor has become aware of a material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework the auditor communicates such matters in accordance with the guidance in paragraphs 42 – 44.

Communication

- 42. When, as a result of performing the review of interim financial information, the auditor becomes aware of matters that give the auditor reason to believe that a material**

adjustment should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework, the auditor should communicate this matter as soon as practicable to the appropriate level of management.

43. **When, in the auditor's judgment, management does not respond appropriately within a reasonable period of time, the auditor should inform those charged with governance.** The communication is made as soon as practicable, either orally or in writing. The auditor's decision whether to communicate orally or in writing is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of such communications. If the information is communicated orally, the auditor documents the communication.
44. **When, in the auditor's judgment, those charged with governance do not respond appropriately within a reasonable period of time, the auditor should consider:**
- (a) **Whether to modify the report; or**
 - (b) **The possibility of withdrawing from the engagement; and**
 - (c) **The possibility of resigning from the appointment to audit the annual financial statements.**
45. **When, as a result of performing the review of interim financial information, the auditor becomes aware of fraud or noncompliance by the entity with laws and regulations the auditor should communicate the matter as soon as practicable to the appropriate level of management.** The determination of which level of management is the appropriate one is affected by the likelihood of collusion or the involvement of a member of management. The auditor also considers the need to report such matters to those charged with governance.
46. **The auditor should communicate relevant matters of governance interest arising from the review of interim financial information to those charged with governance.** As a result of performing the review of the interim financial information, the auditor may become aware of matters that in the opinion of the auditor are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. The auditor communicates such matters to those charged with governance.

Reporting the Nature, Extent and Results of the Review of Interim Financial Information

47. **The auditor should issue a written report that contains the following:**
- (a) **An appropriate title.**
 - (b) **An addressee.**
 - (c) **Identification of the interim financial information reviewed including identification of the title of each of the statements contained in the complete or condensed set of financial statements and the date and period covered by the interim financial information.**

- (d) A statement that management is responsible for the preparation of the interim financial information in accordance with the applicable financial reporting framework.
- (e) A statement that the auditor is responsible for expressing a conclusion as to whether the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework.
- (f) A statement that the review of the interim financial information was conducted in accordance with standards issued by the International Auditing and Assurance Standards Board applicable to a review of interim financial information by the entity's independent auditor, and a statement that that such a review consists of making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures.
- (g) A statement that a review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit and that accordingly no audit opinion is expressed.
- (h) A conclusion as to whether the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework (including identifying the country of origin of the financial reporting framework when the framework used is not International Financial Reporting Standards).
- (i) The date of the report.
- (j) The location in the country or jurisdiction where the auditor practices.
- (k) The auditor's signature.

An illustrative review report for is set out in Appendix 4 to this ISRE.

INTERIM FINANCIAL INFORMATION COMPRISED OF CONDENSED SET OF FINANCIAL STATEMENTS

48. **If the interim financial information is comprised of a condensed set of financial statements, the auditor should include in the review report a reference to the need for the interim financial information to be read in conjunction with the most recent annual financial statements.** Interim financial information that is condensed includes primarily an explanation of the events and changes that are significant to an understanding of the changes in the financial position and performance of the entity since the annual reporting date. Accordingly, it is important for such interim information to be read in conjunction with the most recent annual financial statements.

QUALIFIED OR ADVERSE CONCLUSION

49. **The auditor should express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe that a material adjustment should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework.**
50. If matters have come to the auditor's attention that cause the auditor to believe that the interim financial information is or may be materially affected by a departure from the applicable financial reporting framework, and management does not correct the interim financial information, the auditor modifies the review report. The modification describes the nature of the departure, and if practicable, states the effects on the interim financial information. If the information that the auditor believes is necessary for adequate disclosure is not included in the interim financial information, the auditor modifies the review report and, if practicable, include the necessary information in the review report. The modification to the review report is ordinarily accomplished by adding an explanatory paragraph to the review report, and qualifying the conclusion as to whether the auditor is aware of any material adjustment that should be made to the interim financial information for it to be in accordance with the applicable financial reporting framework. An illustrative review report with a qualified conclusion is set out in Appendix 5 to this ISRE.
51. When the effect of the departure is so material and pervasive to the interim financial information that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the interim financial information, the auditor express an adverse conclusion to the effect that the interim financial information is not in accordance with the applicable financial reporting framework. An illustrative review report with an adverse conclusion is set out in Appendix 6 to this ISRE.

GOING CONCERN AND SIGNIFICANT UNCERTAINTIES

52. In certain circumstances, an emphasis of matter paragraph may be added to a review report, without affecting the auditor's conclusion, to highlight a matter that is included in a note to the interim financial information that more extensively discusses the matter. The paragraph would preferably be included after the conclusion paragraph and ordinarily refers to the fact that the conclusion is not qualified in this respect.
53. **If adequate disclosure is made in the interim financial information, the auditor should add an emphasis of matter paragraph to the review report to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.**
54. The auditor may have modified a prior audit or review report by adding an emphasis of matter paragraph to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern. If the material uncertainty still exists and adequate disclosure is made in the interim financial information, the auditor modifies the review report on the current interim financial information by adding a

paragraph to highlight the continued material uncertainty. If, as a result of inquiries or other review procedures, the auditor becomes aware of a material uncertainty relating to an event or condition which may cast significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the interim financial information the auditor modifies the review report by adding an emphasis of matter paragraph.

55. **If adequate disclosure is not made in the interim financial information, the auditor should express a qualified or adverse conclusion, as appropriate. The report should include specific reference to the fact that there is a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern.**
56. **The auditor should consider modifying the review report by adding a paragraph to highlight a significant uncertainty (other than a going concern problem) that comes to the auditor's attention, the resolution of which is dependent upon future events and which may affect the interim financial information.**

OTHER CONSIDERATIONS

57. The terms of the engagement include management's agreement that where any document containing interim financial information indicates that such information has been reviewed by the entity's auditor, the review report will also be included in the document or management will indicate in the document where the report can be obtained. If management has not included the review report in the document or has not indicated where the report can be obtained, the auditor considers seeking legal advice to assist in the determination of the appropriate course of action in the circumstances.
58. If the auditor has issued a modified review report and management issues the interim financial information without including the modified review report in the document containing the interim financial information, the auditor considers seeking legal advice to assist in the determination of the appropriate course of action in the circumstances and the possibility of resigning from the appointment to audit the annual financial statements.

Documentation

59. **The auditor should document matters that are important to support the content of the review report and evidence that the review was carried out in accordance with this ISRE.** The documentation consists of working papers that are sufficiently complete and detailed to provide an overall understanding of the review. The working papers describe the procedures undertaken, information obtained, and any significant matters considered during the performance of the interim review, including the disposition of such matters. The extent of working papers is a matter of professional judgment.

Effective Date

60. This ISRE is effective for the review of interim financial information for periods beginning on or after [date to be inserted].

Appendix 1

Example of an Engagement Letter for a Review of Interim Financial Information

The following letter is to be used as a guide in conjunction with the consideration outlined in paragraph 10 of this ISRE and will need to be adapted according to individual requirements and circumstances.

To the Board of Directors (or the appropriate representative of senior management):

We are providing this letter to confirm our understanding of the terms and objectives of our engagement to review the company's interim balance sheet as at June 30, 20X1 and the related statements of income, changes in equity and cash flows for the six-month period then ended.

Our review will be conducted in accordance with the International Standard for Review of Interim Financial Information Performed by the Auditor of the Entity with the objective of providing us with a basis for reporting whether we are aware of any material adjustment that should be made for such statements to be in accordance with the [applicable financial reporting framework]. Such a review consists of making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of interim financial information is substantially less than the scope of an audit performed in accordance with International Standards on Auditing whose objective is the expression of an opinion regarding the financial statements and accordingly, we shall express no such opinion.

We expect to report on the interim financial information as follows:

[To include text of sample report]

Responsibility for the interim financial information, including adequate disclosure, is that of management of the company. This includes designing, implementing and maintaining internal control relevant to the preparation of interim financial information that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. As part of our review, we will request written representations from management concerning assertions made in connection with the review. We will also request that where any document containing interim financial information indicates that the interim financial information has been reviewed, our report will also be included in the document or the document will indicate where the report can be obtained.

A review of interim financial information does not provide assurance that we will become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we will inform you of any material matters that come to our attention.

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our review.

Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus out-of-pocket expenses. Individual hourly rates vary according to the degree of responsibility involved and the experience and skill required.

This letter will be effective for future years unless it is terminated, amended or superseded (if applicable).

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the financial statements.

Acknowledged on behalf of ABC Company by
(signed)

.....

Name and Title

Date

Appendix 2

Analytical Procedures the Auditor May Consider When Performing a Review of Interim Financial Information

Examples of analytical procedures the auditor may consider when performing a review of interim financial information include:

- Comparing the interim financial information with the interim financial information of the immediately preceding interim period, with the interim financial information of the corresponding interim period of the preceding financial year, with the interim financial information that was expected by management for the current period, and with the most recent audited annual financial statements.
- Comparing current interim financial information with anticipated results, such as budgets or forecasts (for example, comparing tax balances and the relationship between the provision for income taxes to pretax income in the current interim financial information with corresponding information in (a) budgets, using expected rates, and (b) financial information for prior periods).
- Comparing current interim financial information with relevant non-financial information.
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations developed by the auditor. The auditor develops such expectations by identifying and applying relationships that are reasonably expected to exist based on the auditor's understanding of the entity and of the industry in which the entity operates.
- Comparing ratios and indicators for the current interim period with those of entities in the same industry.
- Comparing relationships among elements in the current interim financial information with corresponding relationships in the interim financial information of prior periods, for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables.
- Comparing disaggregated data. The following are examples of how data may be disaggregated.
 - By period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts.
 - By product line or source of revenue.
 - By location, for example by subsidiary.
 - By attributes of the transaction, for example, revenue generated by designers, architects, or craftsmen.
 - By several attributes of the transaction, for example, sales by product and month.

Appendix 3

Example of a Management Representation Letter

The following letter is not intended to be a standard letter. Representations by management will vary from entity to entity and from one interim period to the next.

(To Auditor) (Entity Letterhead) (Date)

Opening paragraph if interim financial information is comprised of condensed financial statements:

This representation letter is provided in connection with your review of the condensed balance sheet of ABC Entity as of March 31, 20X1 and the related condensed statements of income, changes in equity and cash flows for the three-month period then ended for the purposes of determining whether any material adjustment should be made to this interim information for it to be in accordance with (indicate applicable financial reporting framework, including identifying the country of origin of the financial reporting framework when the framework used is not International Financial Reporting Standards).

Opening paragraph if interim financial information comprised of complete financial statements:

This representation letter is provided in connection with your review of the balance sheet of ABC Entity as of March 31, 20X1 and the related statements of income, changes in equity and cash flows for the three-month period then ended for the purposes of determining whether any material adjustment should be made to this interim financial information for it to be in accordance with (indicate applicable financial reporting framework, including identifying the country of origin of the financial reporting framework when the framework used is not International Financial Reporting Standards).

We acknowledge our responsibility for the fair presentation of the interim financial information in accordance with (indicate applicable financial reporting framework).

We confirm, to the best of our knowledge and belief, the following representations:

- The interim financial information referred to above has been prepared and presented in accordance with (indicate applicable financial reporting framework).
- We have made available to you all books of account and supporting documentation and all minutes of meetings of shareholders and the board of directors (namely those held on [insert applicable dates]).
- There are no material transactions that have not been properly recorded in the accounting records underlying the interim financial information.

- There has been no known actual or possible noncompliance with laws and regulations that could have a material effect on the interim financial information in the event of noncompliance.
- We acknowledge responsibility for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error.
- We have disclosed to you all significant facts relating to any known frauds or suspected frauds that may have affected the entity.
- We have disclosed to you the results of our assessment of the risk that the interim financial information may be materially misstated as the result of fraud.
- We believe the effects of uncorrected misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the interim financial information taken as a whole.
- We confirm the completeness of the information provided to you regarding the identification of related parties.
- The following have been properly recorded, and when appropriate, adequately disclosed in the interim financial information:
 - Related party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties;
 - Guarantees, whether written or oral, under which the entity is contingently liable; and
 - Agreements and options to buy back assets previously sold.
- The presentation and disclosure of the fair value measurements of assets and liabilities are in accordance with (indicate applicable financial reporting framework). The assumptions used reflect our intent and ability to carry specific courses of action on behalf of the entity, where relevant to the fair value measurements or disclosure.
- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the interim financial information.
- We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of realizable value.
- The entity has satisfactory title to all assets and there are no liens or encumbrances on the entity's assets.
- We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.
- [Add any additional representations related to new accounting standards that are being implemented for the first time or any additional representations that are required by a new International Standard on Auditing.]

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that may require adjustment to or disclosure in the aforementioned interim financial information.

(Senior Executive Officer)

(Senior Financial Officer)

Appendix 4

Example of a Review Report on Interim Financial Information

Report on Review of Interim Financial Information

(Appropriate addressee)

We have reviewed the accompanying (condensed) balance sheet of ABC Entity as of March 31, 20X1 and the related (condensed) statements of income, changes in equity and cash flows for the three-month period then ended. ^A Management is responsible for the preparation of this interim financial information in accordance with [applicable financial reporting framework]. ^B Our responsibility is to express a conclusion as to whether we are aware of any material adjustment that should be made to the interim financial information for it to be in accordance with [applicable financial reporting framework].

We conducted our review in accordance with standards issued by the International Auditing and Assurance Standards Board applicable to a review of interim financial information by the entity's independent auditor. A review of interim financial information consists of making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, we are not aware of any material adjustment that should be made to the accompanying interim financial information for it to be in accordance with [applicable financial reporting framework (identify country of origin of the financial reporting framework when the framework used is not International Financial Reporting Standards)].

AUDITOR

Date

Address

^A The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.

^B If the interim financial information consists of condensed financial statements, the following sentence is added: "As this interim financial information does not contain all the disclosures required for annual financial statements prepared in accordance with (applicable financial reporting framework), this interim financial information should be read with the audited annual financial statements for (date)."

Appendix 5

Example of a Review Report with a Qualified Conclusion

DEPARTURE FROM THE APPLICABLE FINANCIAL REPORTING FRAMEWORK

Report on Review of Interim Financial Information

(Appropriate addressee)

We have reviewed the accompanying (condensed) balance sheet of ABC Entity as of March 31, 20X1 and the related (condensed) statements of income, changes in equity and cash flows for the three-month period then ended. ^A Management is responsible for the preparation of this interim financial information in accordance with [applicable financial reporting framework]. ^B Our responsibility is to express a conclusion as to whether we are aware of any material adjustment that should be made to the interim financial information for it to be in accordance with [applicable financial reporting framework].

We conducted our review in accordance with standards issued by the International Auditing and Assurance Standards Board applicable to a review of interim financial information by the entity's independent auditor. A review of interim financial information consists making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on information provided to us by management, ABC entity has excluded from property and long-term debt certain lease obligations that we believe should be capitalized to conform with [applicable financial reporting framework]. This information indicates that if these lease obligations were capitalized at March 31, 20X1, property would be increased by \$_____, long-term debt by \$_____, and net income and earnings per share would be increased (decreased) by \$_____, \$_____, \$_____, and \$_____, respectively, for the three-month period then ended.

Based on our review, with the exception of the matter described in the preceding paragraph, we are not aware of any material adjustment that should be made to the accompanying interim financial information for it to be in accordance with [applicable financial reporting framework (identify country of origin of the financial reporting framework when the framework used is not International Financial Reporting Standards)].

AUDITOR

Date

Address

^A The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.

^B If the interim financial information consists of condensed financial statements, the following sentence is added:

“As this interim financial information does not contain all the disclosures required for annual financial statements prepared in accordance with (applicable financial reporting framework), this interim financial information should be read with the audited annual financial statements for (date).”

Appendix 6

Example of a Review Report with an Adverse Conclusion

DEPARTURE FROM THE APPLICABLE FINANCIAL REPORTING FRAMEWORK

Report on Review of Interim Financial Information

(Appropriate addressee)

We have reviewed the accompanying (condensed) balance sheet of ABC Entity as of March 31, 20X1 and the related (condensed) statements of income, changes in equity and cash flows for the three-month period then ended. ^A Management is responsible for the preparation of this interim financial information in accordance with [applicable financial reporting framework].^B Our responsibility is to express a conclusion as to whether we are aware of any material adjustment that should be made to the interim financial information for it to be in accordance with [applicable financial reporting framework].

We conducted our review in accordance with standards issued by the International Auditing and Assurance Standards Board applicable to a review of interim financial information by the entity's independent auditor. A review of interim financial information consists making inquiries of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Commencing this period, management of the entity ceased to consolidate the financial statements of its subsidiary companies since management considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework (identified country of origin of the financial reporting framework when the framework used is not International Financial Reporting Standards)]. Had consolidated financial statements been prepared, virtually every account in the interim financial information would have been materially different.

Our review indicates that, because the entity's investment in subsidiary companies is not accounted for on a consolidated basis, as described in the preceding paragraph, this interim financial information is not in accordance with [applicable financial reporting framework (identify country of origin of the financial reporting framework when the framework used is not International Financial Reporting Standards)].

AUDITOR

Date
Address

^A The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial information is filed.

- ^B If the interim financial information consists of condensed financial statements, the following sentence is added: “As this interim financial information does not contain all the disclosures required for annual financial statements prepared in accordance with (applicable financial reporting framework), this interim financial information should be read with the audited annual financial statements for (date).”

Conforming changes to other ISAs

ISA 210 TERMS OF AUDIT ENGAGEMENTS

The following bullet point will be added to paragraph 6:

- Management's responsibility for establishing and maintaining effective internal control.

ISRE 2400 ENGAGEMENTS TO REVIEW FINANCIAL STATEMENTS

1. The purpose of this International Standard on Review Engagements (ISRE) is to establish standards and provide guidance on the ~~auditor's~~ practitioner's professional responsibilities when a practitioner, who is not the auditor of an entity, undertakes an engagement to review financial statements ~~is undertaken~~ and on the form and content of the report that the ~~auditor~~ practitioner issues in connection with such a review. A practitioner, who is the auditor of the entity, engaged to perform a review of interim financial information performs such a review in accordance with ISRE XXXX "Review of Interim Financial Information Performed by the Entity's Auditor."

All references to "auditor" in ISRE 2400 would be replaced by the term "practitioner."

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