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Agenda Item
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Committee: IAASB
Meeting Location: Rome
Meeting Date: June 13-17, 2005

Review of Interim Financial Information Performed by the Independent Auditor of the Entity

Objective of Agenda Item

To review and approve for issuance the revised ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

Background

At its March 2005 meeting, the IAASB reviewed a first draft of proposed changes to the ISRE to address comments received on exposure.

Activities Since Last IAASB Discussions

The Task Force met in April 2005 to discuss the comments received from the IAASB and amended the document accordingly.

Key Issues

REPORTING

The Task Force was asked to consider the wording of the conclusion in the review report. It was agreed that the wording for the conclusion should allow for negative assurance as to whether the interim financial information gives a true and fair view (or presents fairly in all material respects) in circumstances where the interim financial information is comprised of a complete set of general purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation. In other circumstances, the conclusion should give negative assurance as to whether the interim financial information is in accordance with the applicable financial reporting framework. This is reflected in the revised ISRE and an example of each report is contained in Appendix 4.

The Task Force was also asked to consider further the use of “true and fair/present fairly,” for those countries where law or regulation requires the use of “true and fair/presented fairly”. This matter is addressed in paragraph 48.

The proposed ISRE does not mandate the use of headings in the review report, however the illustrative review reports in Appendices 4-7, contain such headings.

LIMITATION ON THE SCOPE OF THE REVIEW

The Task Force was asked to consider expanding the guidance to provide for a scope limitation other than one imposed by management.

A new section on limitation on scope has been added to the ISRE (paragraphs 51a-51d). These paragraphs provide that the auditor should express a qualified conclusion when there is a limitation on the scope of the work but the matters giving rise to the qualification, while material, are not pervasive to the interim financial information. The section also indicates that if the auditor, after accepting the engagement, becomes aware that management has imposed a limitation on the scope of the review, the auditor requests that the limitation be removed and if it is not, the auditor is unable to complete the review and, therefore, cannot issue a review report.

Appendix 6 to the ISRE contains illustrative review reports with a qualified conclusion due to a limitation on the scope of the review.

NEED TO READ CONDENSED INFORMATION IN CONJUNCTION WITH ANNUAL FINANCIAL STATEMENTS

A new paragraph has been added to the ISRE (paragraph 58a) to explain that interim financial information that is condensed does not necessarily contain all of the information that would be contained in a full set of financial statements, because it is presumed that the users of the interim financial information will have access to the latest audited financial statements – which is the case with a listed entity. However, if the client is not a listed entity, the auditor discusses with management the need for the interim financial information to include a statement that the interim information should be read in conjunction with the latest audited financial statements. The paragraph also provides for the auditor to consider whether, in the absence of such a statement, the interim financial information would be misleading and the implications for the review report.

OTHER AMENDMENTS

Paragraph 3: Some language has been added to distinguish further the differences between this ISRE and ISRE 2400.

Paragraph 4: This paragraph has been amended to state that the auditor complies with the ethical requirements that relate to the audit of the annual financial statements of an entity.

Paragraph 5: This paragraph has been expanded to provide a cross-reference to ISQC1.

Paragraph 8x: This paragraph has been added to explain the difference between a review conducted in accordance with this ISRE and an audit conducted in accordance with ISAs.

Paragraph 21: This paragraph has been expanded to state that the auditor ordinarily communicates, where appropriate, the auditor's requirements to other auditors who are performing a review of the reporting entity's significant subsidiaries or associates.

Paragraph 34 (e): A footnote has been added to the requirement to obtain a representation from management that 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 to recognize that the nature, extent and frequency of such an assessment vary from entity to entity. Accordingly the representation, insofar as it related to the interim financial information, is tailored to the entity's specific circumstances.

Paragraph 59: The documentation requirements have been revised to be more consistent with the key principles contained in the proposed ISA 230 (revised) *Audit Documentation*.

Effective Date

The Task Force recommends an effective date for periods beginning on or after December 15, 2006 with earlier adoption permissible. This will provide sufficient time for other jurisdictions to adopt the ISRE and will also provide for immediate adoption is so desired.

Material Presented

Agenda Paper 12-A Draft ISRE 2410– Review of Interim Financial Information
(Pages 1465 – 1500) Performed by the Independent Auditor of the Entity (Clean)

Agenda Paper 12-B Draft ISRE 2410– Review of Interim Financial Information
(Pages 1501 – 1540) Performed by the Independent Auditor of the Entity (Mark-up)

A mark-up and clean version are presented for the convenience of the Board. The mark-up version will be used at the discussion in Rome.

Action Requested

The IAASB is asked to consider the issues raised in this cover paper, and to review the proposed wording changes to the ISRE and approve it for release as a final standard.

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