

New Zealand Auditing and Assurance Standards Board

MEETING PACK

for

NZAuASB Board Meeting - SUPPLEMENTARY (PUBLIC)

Wednesday, 10 June 2026

9:45 am (NZST)

Held at:

Executive Boardroom, Precinct Flex

Level 10, 11 Britomart Place, Auckland 1010

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AGENDA

NZAUASB BOARD MEETING - SUPPLEMENTARY (PUBLIC)

Name:	New Zealand Auditing and Assurance Standards Board
Date:	Wednesday, 10 June 2026
Time:	9:45 am to 4:15 pm (NZST)
Location:	Executive Boardroom, Precinct Flex, Level 10, 11 Britomart Place, Auckland 1010 https://teams.microsoft.com/l/meetup-join/19%3ameeting_OTa0NzcXMDktYzg4Mi00YzliLTgwNGEtZDE5NGE0ZmZINDQz%40thread.v2/0?context=%7b%22tid%22%3a%2253996152-4561-4986-a4e9-e98f4cb07127%22%2c%22oid%22%3a%22b97c12ab-c641-4058-991e-63d6af4c5103%22%7d
Committee Members:	Graeme Pinfold (Committee Chair), Darby Healey, Doug Niven, Michael Bradbury, Rebecca Palmer, Richard Kirkland, Todd Beardsworth, Vasana Vanpraseuth
Attendees:	Anna Herlender, Bruce Mcniven, Catherine Thompson, Geoff Connor, Karen Tipper, Misha Pieters, Sharon Walker, Thinus Peyper, Wendy Venter

1. Opening Meeting (PRIVATE)

2. Standing Items (PRIVATE)

3. Board Management (PUBLIC)

3.1 Action list 9:45 am (2 min)

For Decision

3.2 Chair report 9:47 am (13 min)

Graeme Pinfold

For Noting

Verbal

3.3 JSS report 10:00 am (5 min)

Misha Pieters

For Noting

3.4 SAC highlights

Misha Pieters

For Noting

SUPPLEMENTARY

Supporting Documents:

3.4.a	3.4 SAC-Meeting-Highlights - April_2026.pdf	8
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3.5 AUASB Update 10:05 am (5 min)

Doug Niven

For Noting

Verbal

4. NZAuASB work plan (PUBLIC)

4.1 Summary paper 10:10 am (5 min)

Misha Pieters

For Noting

4.2 2025/26 work plan update 10:15 am (5 min)

For Noting

4.3 2026/27 work plan 10:20 am (5 min)

For Noting

SUPPLEMENTARY

Supporting Documents:

4.3.a	4.3 2026_27 work-plan.pdf	13
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4.4 12 month rolling NZAuASB meeting plan 10:25 am (3 min)

For Noting

SUPPLEMENTARY

Supporting Documents:

4.4.a	4.4 12-month-rolling-NZAuASB-meeting-plan.pdf	16
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4.5 12 month consultation plan 10:28 am (2 min)

For Noting

SUPPLEMENTARY

Supporting Documents:

4.5.a	4.5 12-month-rolling-consultation-plan.pdf	17
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5. Discussion with Matt Coulter, Senior Manager NZ Audit Oversight, CA ANZ (PRIVATE)

5.1 Summary paper 10:30 am (30 min)

For Noting

Virtual

5.2 Morning Tea 11:00 am (15 min)

6. Less complex entities (PUBLIC)

6.1 Summary paper 11:15 am (45 min)

Bruce Mcniven

For Discussion

7. Post implementation review ISA (NZ) 540 (PUBLIC)

7.1 Summary paper 12:00 pm (15 min)

Karen Tipper

For Noting

7.2 Response 12:15 pm (30 min)

For Decision

8. Sustainability assurance

8.1 Summary paper 12:45 pm (15 min)

For Noting

8.2 Illustrative assurance report 1:00 pm (15 min)

Anna Herlender

For Discussion

8.3 LUNCH 1:15 pm (30 min)

9. PIR Non-compliance with laws and regulations (PUBLIC)

9.1 Summary paper 1:45 pm (10 min)

Anna Herlender

For Noting

9.2 Response 1:55 pm (10 min)

For Decision

9.3 Other questions in the survey 2:05 pm (10 min)

For Noting

SUPPLEMENTARY

Supporting Documents:

9.3.a 9.3 NOCLAR-PIR-section-not-relevant-to-NZAuASB - supplementary paper.docx 18

10. PIR restructured Code (PUBLIC)

10.1 Summary paper

2:15 pm (15 min)

Anna Herlender

For Noting

10.2 Response

2:30 pm (15 min)

For Decision

11. EG Au8 and guidance on investments in managed investment schemes (PUBLIC)

11.1 Summary paper

2:45 pm (10 min)

Thinus Peyper

For Discussion

11.2 Draft GS 007 (mirrors EG Au8)

2:55 pm (3 min)

For Noting

SUPPLEMENTARY

Supporting Documents:

11.2.a	11.2 Draft-revised_GS 007 (which will be mirrored in EG Au8).pdf	34
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11.3 Summary of changes

2:58 pm (15 min)

For Noting

11.4 Approved joint project plan (Jun '25)

3:13 pm (2 min)

For Noting

SUPPLEMENTARY

Supporting Documents:

11.4.a	11.4 Approved-joint-project-plan EG Au8_GS 007.docx	123
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11.5 Afternoon tea

3:15 pm (15 min)

12. Interim review engagements (PUBLIC)

12.1 Summary paper

3:30 pm (5 min)

Sharon Walker

For Noting

12.2 Issues paper

3:35 pm (15 min)

For Discussion

12.3 IAASB exposure draft

3:50 pm (5 min)

For Noting

SUPPLEMENTARY

Supporting Documents:

12.3.a	12.3 IAASB-ISRE-2410-Revised-Exposure-Draft.pdf	129
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12.4 IAASB explanatory memorandum

3:55 pm (5 min)

For Noting

SUPPLEMENTARY

Supporting Documents:

12.4.a	12.4 IAASB-ISRE-2410-Revised-Explanatory-Memorandum.pdf	222
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13. EG Au1A (PUBLIC)

13.1 Summary paper

4:00 pm (5 min)

Bruce Mcniven

For Noting

13.2 Updated EG Au1A

4:05 pm (10 min)

For Decision

14. Board Management (PRIVATE)

14.1 Board members only

4:15 pm (30 min)

15. Close Meeting

15.1 Close meeting

4:45 pm

For Noting

Next meeting: NZAuASB Board Meeting - 5 Aug 2026, 8:45 am

SAC MEETING HIGHLIGHTS

APRIL 2026

This summary of the Stakeholder Advisory Council (SAC) public session discussions on April 27–28, 2026 in Madrid has been prepared for information purposes only.

Recordings of the meeting are available on the [IAASB YouTube](#) and [IESBA YouTube](#) channels.

INTRODUCTION

Mr. Alan Johnson, SAC Chair, welcomed SAC members, the Chairs and Vice-Chairs of the IAASB and IESBA (the standards-setting boards (SSBs)), with the Vice-Chair of IESBA participating virtually, staff from the International Foundation for Ethics & Audit (IFEA), official observers and public observers.

Mr. Alan Johnson thanked the Public Interest Oversight Board (PIOB) for hosting the SAC meeting.

SESSION 1: DIALOGUE WITH THE STANDARD-SETTING BOARD CHAIRS

The SAC considered SSB developments since the October 2025 SAC meeting, including an overview of the SSBs' current work plans, a focus on how emerging technologies are being addressed and an overview of the IESBA initiative related to strategic partnerships.

Key Observations, Advice and Suggestions from the SAC

IAASB Standard Setting Work Plan

- SAC members emphasized the importance of clear prioritization of projects and workstreams, particularly in relation to technology and the impact for the standards. SAC members noted the value of transparency around project selection and resource allocation. The IAASB Chair informed the SAC members that projects are selected based on the well-defined current strategy and work plan, the Framework for Activities, the impact of issues with respect to maintaining or enhancing engagement quality, the urgency of issues raised during outreach activities, and the global relevance and prevalence of those issues.
- Some SAC members noted the importance of strengthening the investor's perspective in standard-setting activities, while recognizing that this may need broader coordination with other stakeholder groups. This may include considering how the IAASB can leverage its reach and influence to facilitate actions by others that enhance accountability to investors.
- SAC members discussed the balance between principles-based and more prescriptive approaches, expressing mixed views but were generally supportive of a principle-based approach. They noted the importance of complementing principles-based requirements with sufficient guidance, as appropriate, whether as application material inside the standards or as non-authoritative material outside the standards, to enhance consistency and comparability.
- SAC members highlighted specific topics that warrant monitoring or exploring as part of the IAASB's current work plan or for the next strategy and work plan period, including materiality (ISA 320),¹ using the work of an auditor's expert (ISA 620),² cybersecurity (see also "Impact of

¹ International Standard on Auditing (ISA) 320, *Materiality in Planning and Performing an Audit*

² ISA 620, *Using the Work of an Auditor's Expert*

SAC Meeting Highlights

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Emerging Technology” below), and the role of assurance services in supporting capital raising and restructuring transactions.

IESBA Standard Setting Work Plan

- The adoption and implementation of the IESBA’s sustainability-related standards were discussed as continuing priorities, particularly given the risk that inconsistent application could undermine trust in sustainability information, or that geopolitical uncertainties could detract from a focus on global adoption. In particular, SAC members noted that sustainability developments are moving at different speeds across jurisdictions, creating risks of fragmentation and uneven implementation.
- SAC members discussed why ethics and independence standards may face greater challenges in global adoption than auditing and assurance standards, given the closer connection of the former to local law, regulation, culture, and professional structures.
- SAC members also encouraged stronger coordination with regulators, professional accountancy organizations, global bodies, business organizations and development institutions to support more consistent adoption and implementation.
- SAC members supported IESBA’s decision to establish a workstream on private equity investment in accounting firms, noting possible implications for firm structures, governance, culture, independence, and business models, as well as for market concentration and public trust. SAC members noted that private equity investment may present both risks and opportunities, including possible effects on innovation, competition, capabilities and service delivery models.
- IESBA was encouraged to consider lessons from private equity investment in other sectors, as well as emerging academic research on private equity investment in accounting firms.
- SAC members supported coordination between IESBA and IAASB, given overlapping concepts such as firm, network firm, audit team, quality management, and independence.

Impact of Emerging Technologies

- SAC members broadly supported the SSBs’ prioritization of technology-related work, given the increasing use of advanced technologies by entities, auditors, assurance providers, and other actors in the external reporting ecosystem. They particularly noted the importance of focusing on the impact of artificial intelligence (AI) or generative AI (GenAI), including as used by entities and in respect of AI-enabled technological tools used by auditors and other practitioners.
- AI was discussed as both a risk and an opportunity, including implications for professional judgment, governance, accountability, audit quality, ethics and the future role of accountants.
- SAC members emphasized that human judgment, ethical behavior and accountability remain central as professional accountants increasingly use AI-enabled tools.
- Some SAC members mentioned the importance to look beyond AI and address specific technologies such as quantum computing.
- Cybersecurity risk was identified as an area for continued monitoring, given its possible implication for audit methodology, data security, assurance and professional roles. This is particularly important considering the increasing sophistication of technology used to breach security systems.

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- SAC members noted the possible need to consider new or evolving forms of assurance engagements in the areas of cybersecurity, AI-enabled tools and AI-supported services.
- SAC members also supported practical and timely non-authoritative materials and encouraged the SSBs to understand how technology is being used before determining whether standards need to change.

Strategic Partnerships

- SAC members supported IESBA's strategic partnership framework as a pragmatic way to strengthen adoption and implementation through more structured and outcome-oriented collaboration. SAC members emphasized that any strategic collaboration should maintain clear boundaries to protect IESBA's independence, due process and public interest accountability.
- Governance, control, conflicts of interest and perceived regulatory capture were identified as important risks to manage.
- Some SAC members highlighted that the term "partnership" could imply too close a relationship, and therefore risking their independence, and that alternatives such as "strategic collaboration" or "strategic stakeholder engagement" may be clearer.
- SAC members suggested that development banks, regional institutions, business groups and chambers of commerce could help extend outreach and implementation support, particularly in emerging markets.

SESSION 2: POST-IMPLEMENTATION REVIEWS FEEDBACK

The SAC considered updates on the post-implementation reviews (PIRs) of the ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* and Non-Compliance with Laws and Regulations (NOCLAR) standards. The SAC discussed the impacts of these pronouncements as experienced or observed from the vantage points of the SAC members, representing different stakeholder groups.

Key Feedback from the SAC

Post-Implementation Review of ISA 540 (Revised)

- Many SAC members acknowledged that ISA 540 (Revised) has driven more robust audit work. They have observed an increased audit effort and documentation, with auditors performing more extensive procedures and exercising greater professional skepticism. Although, this has not always translated into visible improvements in the quality of financial reporting.
- SAC members highlighted ongoing concerns about boilerplate disclosures and lack of transparency in auditor reporting, noting that both entities' disclosures in the financial statements and communication in auditor reports often lack entity-specific insights.
- SAC members noted that auditing accounting estimates continues to be reported in inspection reports as a key finding. Some questioned and suggested that additional guidance and examples may be beneficial for auditors to support the consistent application of the standard.
- SAC members emphasized challenges related to scalability and proportionality, particularly for simpler estimates and smaller entities, and encouraged consideration of more tailored or proportionate application guidance.

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- SAC members noted potential duplication and overlap with ISA 315 (Revised 2019),³ particularly in the area of risk assessment, and encouraged further alignment to enhance efficiency and clarity. They acknowledged that the release of ISA 540 (Revised) in advance of ISA 315 (Revised 2019) may be at the heart of the duplication and overlap.
- SAC members observed that a vast majority of Key Audit Matters address accounting estimates, which raises questions about concentration in this area and the interaction between ISA 540 (Revised) and ISA 701.⁴

Post-Implementation Review of NOCLAR

- SAC members noted that the impact of NOCLAR may be difficult to assess because the application of the standard often operates behind the scenes through escalation, dialogue and internal response processes.
- Some SAC members observed that local laws and regulations, including provisions addressing whistleblowing, money laundering, and reporting of NOCLAR by public interest entities, may already cover similar territory in some jurisdictions.
- SAC members cautioned that the lack of formal adoption of NOCLAR in some jurisdictions may not necessarily mean that the underlying concepts in the standard are absent from local frameworks. Enforcement was identified as a key challenge, with SAC members noting that standards may not be effective if regulators do not support or enforce them.
- SAC members suggested that case studies and other non-authoritative material could help professional accountants, particularly in developing jurisdictions, navigate scenarios involving corruption, tax evasion, environmental violations and other high-pressure situations.
- There was a suggestion from the SAC that the post-implementation review may consider whether the “clearly inconsequential” threshold in the standard is being overused in practice.

SESSION 3: FIRM CULTURE AND GOVERNANCE VIEWPOINTS

The SAC considered an update on the IESBA’s Firm Culture and Governance (FCG) project, including the IESBA FCG viewpoints and the outreach undertaken to date. The discussion focused on the implications of the IESBA viewpoints for ethical behavior, accountability, public trust, firm resiliency and consistent application across jurisdictions.

Key Observations, Advice and Suggestions from the SAC

- There was broad support for the objectives of the project. SAC members recognized the importance of ethical culture to audit quality, ethical behavior, independence, public trust and the profession’s social license to operate.
- SAC members noted that changes in firm structures, ownership models including private equity investment, technology, and business models are increasing the importance of strong ethical culture and governance in firms.
- Some SAC members encouraged IESBA to clarify the scope of the project, including whether the FCG framework is intended to apply across the whole firm or mainly to the audit and assurance practice, and how it would interact with ISQM 1 and existing provisions in the IESBA Code.

³ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

⁴ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

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- Views differed on the appropriate form and authority of the final output. Some SAC members supported incorporation into the Code, while others favored practical guidance, a non-authoritative framework, or a phased approach before considering whether any of the elements of the FCG framework should become authoritative.
- Proportionality and scalability were emphasized, particularly for small and medium practices. SAC members remarked that concepts such as independent input or oversight should be framed flexibly, and cautioned against pursuing governance structures that may only be feasible for larger firms.
- SAC members encouraged IESBA to further consider the implementability of the IESBA FCG viewpoints, including by clarifying key terminology and focusing on elements that can be applied, assessed or evidenced in practice.
- Incentives and disincentives, accountability, leadership commitment, conflicts of interest, independent challenge and transparency were identified as important areas for further consideration.
- SAC members encouraged IESBA to ensure that the work remains clearly grounded in public interest considerations, including the perspectives of investors and other users of firms' services.
- There was a suggestion that more explicit attention should be given to structural and agency issues in the audit ecosystem, including how firm governance can better support independence, professional judgment and accountability to users.
- SAC members also supported continued outreach and evidence gathering before any decision is made on the next phase of the project, including further consideration of root causes, gaps in existing standards, and expected benefits vs. potential costs.

CLOSING REMARKS

Mr. Johnson invited Ms. Modise, the PIOB observer, to share her observations of the meeting. He also invited Ms. Gabriela Figueiredo Dias and Mr. Tom Seidenstein to share their final remarks.

Mr. Johnson thanked all SAC members for their valuable contributions and insightful advice to the SSBs. He also extended his appreciation to the IFEA staff for their efforts in preparing the meeting papers and facilitating the discussions, and again thanked the PIOB for hosting this meeting in Madrid.

NEXT MEETING

The next SAC meeting is scheduled for October 20–21, 2026 in New York, USA.

2026/2027 draft work plan

Origin	Name	Type	Next (SPE) deliverable	Target delivery date	Owner	Priority	Effort	SOI Category	Planned action for 2026/27
Domestic	ISA (NZ) for LCE	Audit	Support - engage*	30/06/2027	Bruce	High	High	Supporting adoption & implementation	Continue implementation support based on need and requests. Address issue identified on service organisations.
	Technology	Audit	Support - engage*	30/06/2027	Thinus	High	High	Fit for purpose	Monitor and contribute to development of international quality management guidance. Promote relevant guidance
	Impact of audit reforms / inspection findings on XRB standards	Audit	Support - engage*	15/12/2026	Thinus	Low	Min	Fit for purpose	Monitor audit reform in UK and Aus. Monitor inspection findings. FMA annual report expected to be issued in November.
	Update EG AU8 in conjunction with AUASB	Audit	Support - publish*	15/08/2026	Thinus	Medium	High	Fit for purpose	Finalise the update of EG Au8 and determine next steps for ongoing emerging matters.
	Public Sector Performance Reporting	Audit	Support - engage*	30/06/2027	Thinus	High		PBE performance reporting	Determine next steps based on final report.
	Going Concern revised standard	Audit	Support - engage*	30/06/2027	Sharon	High	Mod	Fit for purpose	Events and communications to support adoption.
	Interpretation standard	Audit	Consult or issue standard	31/12/2027	Sharon	Low	Min	Fit for purpose	Update existing glossary of terms for recent projects. Finalise drafting advice to convert to a standard
	Fraud revised standard	Audit	Support - engage*	30/06/2027	Sharon	Medium	Min	Fit for purpose	Events and communications to support adoption.
	Monitor and implementation support for GHG assurance	Audit	Support - publish*	30/06/2027	Karen	Medium	Mod	Supporting adoption & implementation	Continue monitoring and implementation support throughout FY26/27 as per plan.
	Engage on Audits of Māori Entities	Non-financial	Support - engage*	30/06/2027	Karen	Low	Min	Integrated Reporting	Continue to meet with OAG to learn from their project, and respond if need identified.
Consider Assurance related to He Taura	Non-financial	Support - engage*	30/06/2027	Karen	Low	Min	Integrated Reporting	Next steps to be determined based on need.	

Origin	Name	Type	Next (SPE) deliverable	Target delivery date	Owner	Priority	Effort	SOI Category	Planned action for 2026/27
IAASB	Audit evidence and risk response	Audit	Issue consul. or ED*	28/07/2026	Thinus	Medium	Mod	Fit for purpose	Issue date of EDs expected to be 28 July 2026. Develop a comms plan, consult with stakeholders, develop response to IAASB's exposure draft.
	Post implementation review of ISA 540	Audit	Intl engage	30/06/2027	Lisa	Medium	Min	Fit for purpose	Monitor outcome of 540 PIR and contribute as needed
	IAASB Strategy and work plan 2028-2031	Audit	Submit	30/06/2027	Karen	Medium	Min	Fit for purpose	Contribute to IAASB work plan consultation
	ISRE 2410 Interim Review Engagements	Audit	Issue consul. or ED*	15/08/2026	Sharon	Medium	Mod	Fit for purpose	Respond to IAASB consultation in Aug 2026.
	Revisions to ISA for LCE	Audit	Issue consul. or ED*	22/07/2026	Lisa	Medium	Mod	Fit for purpose	Consult and respond to exposure draft.
	Modernising ISA 500 Series: Inventory counts, confirmations and sampling	Audit	Issue consul. or ED*	30/04/2027	Sharon	Medium	Mod	Fit for purpose	Issue date of EDs expected to be December 2026. Develop a comms plan, consult with stakeholders, develop response to IAASB's exposure draft.
	PIR ISA 315	Audit	Issue consul. or ED*	30/06/2027	Sharon	Medium	Min	Fit for purpose	IAASB expected to issue PIR in early 2027. XRB to engage with stakeholders and respond to surveys.
	Materiality	Audit	Intl engage	30/06/2027	Sharon	Medium	Min	Fit for purpose	IAASB expected to commence a standard setting project in 2027. XRB to monitor, engage with stakeholders and provide input to inform New Zealand IAASB member.
	Broader Assurance Standard	Non-financial	Intl engage		Karen	Low	Min	Fit for purpose	IAASB expected to scope and commence standard setting in 2027.

Origin	Name	Type	Next (SPE) deliverable	Target delivery date	Owner	Priority	Effort	SOI Category	Planned action for 2026/27
IESBA	Post implementation review of restructured code	Ethics	Intl engage	30/06/2027	Anna	Low	Min	Fit for purpose	Monitor outcome of PIR and contribute as needed
	IESBA Strategy and Work plan 2028-2031	Ethics	Submit	30/06/2027	Karen	Medium	Min	Fit for purpose	Contribute to IESBA work plan consultation
	Post implementation review of non-compliance with laws and regulations (NOCLAR)	Ethics	Submit	30/06/2027	Anna	Medium	Min	Fit for purpose	Monitor outcome of PIR and contribute as needed
	Firm culture and governance	Ethics	Consultation Period	30/06/2027	Lisa	Medium	Min	Fit for purpose	To be determined based on IESBA's decisions
	Collective investment vehicles	Ethics	Support - publish	30/06/2027	Karen	Low	Min	Fit for purpose	IESBA has agreed to develop non-authoritative material. XRB to monitor and determine what NZ overlay may be needed in due course.
	Private equity investment in firms	Ethics	Intl engage	30/06/2027	Sharon	Medium	Min	Fit for purpose	Monitor developments in New Zealand. Monitor IESBA project. Respond as needed
	PIE Definition IESBA/IAASB	Ethics	Consultation Period	30/06/2027	Anna	Low	Min	Fit for purpose	Joint IESBA/IAASB project to consider how PIE definition is working. Expected to commence in 2027.
	Profession agnostic independence standards for sustainability assurance not in scope of Part 5	Ethics	Intl engage	30/06/2027	Anna	Low	Min	Integrated Reporting	Monitor IESBA's discussions.
	PIR Long Association	Ethics	Consultation Period	30/06/2027	Anna	Medium	Min	Fit for purpose	IESBA expected to commence PIR process in Q1 2027. XRB to engage locally and provide feedback to IESBA.
	PIR Non-Assurance Services	Ethics	Intl engage	30/06/2027	Sharon	Medium	Min	Fit for purpose	IESBA expected to commence PIR process in Q1 2027. XRB to engage locally and provide feedback to IESBA.
	Business Relationships	Ethics	Consultation Period	30/06/2027	Anna	Low	Min	Fit for purpose	IESBA to develop terms of reference and commence information gathering
Audit Firm Client Relationship	Ethics	Intl engage	30/06/2027	Lisa	Medium	Min	Fit for purpose	IESBA to develop terms of reference and commence information gathering	

12 month rolling NZAuASB meeting plan (forward agenda)

Projects	2026					2027			
	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Monitor and implementation support for GHG assurance	Update								
ISRE 2410 Interim Review Engagements	Approve								
Update EG AU8 in conjunction with AUASB	Approve								
Firm culture and governance	Update				Update		Update		
Impact of audit reforms / inspection findings on XRB standards					Update				
Modified assurance reports			Discuss						
Post implementation review of non-compliance with laws and regulations (NOCLAR)							Update		
ISA (NZ) for LCE adoption issues	Approval								
IAASB Strategy and work plan 2028-2031							Discuss		Approve
Post implementation review of ISA 540							Update		
IESBA Strategy and Work plan 2028-2031							Discuss		Approve
Audit evidence and risk response	Prepare		Discuss		Approve				
Modernising ISA 500 Series: Inventory counts, confirmations and sampling							Discuss		Approve
Maintenance of ISA for LCE	Approval		Approve						
Technology	Update		Update		Update				
Post implementation review of restructured code							Update		
Engage on Audits of Māori Entities			Discuss						

12 month rolling consultation plan

Projects	2026						2027					
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
ISRE 2410 Interim Review Engagements												
Outreach activities												
Post implementation review of non-compliance with laws and regulations (NOCLAR)												
Outreach to respond to survey												
ISA (NZ) for LCE												
Share and inform constituents												
IAASB Strategy and work plan 2028-2031												
Consultation paper outreach												
IESBA Strategy and Work plan 2028-2031												
Consultation paper outreach												
Audit evidence and risk response												
Perform outreach activities												
Modernising ISA 500 Series: Inventory counts, confirmations and sampling												
Perform outreach activities												
Revisions to ISA for LCE												
Outreach activities												
Technology												
Engage on the implications on assurance												
Post implementation review of restructured code												
Outreach to respond to survey												
PIR ISA 315												
Outreach to respond to survey												
Business Relationships												
Outreach for request for information												
Audit Firm Client Relationship												
Outreach for request for information												

For the Board's information:

This section of the IESBA PIR Survey on NOCLAR relates to organisations and individuals other than standard setters. It is included for completeness and for the Board's information only. The NZAuASB does not respond to the questions in this section.

Part C – Professional Accountancy Organizations (PAOs)

Adoption status and effective date

Note:

Adoption (full or with modifications) refers to the formal acceptance and incorporation of the IESBA standards into a jurisdiction's national laws, regulations or professional requirements.

Convergence is where a jurisdiction aligns its national ethics (including independence) standards or provisions with the IESBA standards through a process that seeks to eliminate or minimize differences between the IESBA and national standards or provisions. This includes a process where an IESBA standard is used as a basis to develop the local standard or provisions.

4. Has your organization adopted the NOCLAR provisions of the Code (IESBA NOCLAR provisions)?
(Please choose the most representative answer)
- (a) Yes, through full adoption with no modifications (Please provide (i) information on the effective date and (ii) links to the local NOCLAR provisions or the specific announcement of the adoption or issuance of the local NOCLAR provisions)
 - (b) Yes, through adoption with modifications (Please (i) describe the nature of, and reasons for the modifications, (ii) provide information on the effective date, and (iii) provide links to the local NOCLAR provisions or the specific announcement of the adoption or issuance of the local NOCLAR provisions)
 - (c) No, but the local NOCLAR provisions are converged with the IESBA NOCLAR provisions (Please (i) provide information on the effective date, (ii) provide links to the local NOCLAR provisions or the specific announcement of the issuance of the local NOCLAR provisions, and (iii) describe any significant differences between the local NOCLAR provisions and the IESBA NOCLAR provisions)
 - (d) No, there are provisions in relevant law or regulation or a different ethical framework that address NOCLAR (Please describe any significant differences between the relevant law or regulation or ethical framework and the IESBA NOCLAR provisions)
 - (e) Not adopted (Please specify reasons. If there is a plan to adopt the IESBA NOCLAR provisions, please provide details, including timing)

If you have answered (a), (b) or (c), were the IESBA NOCLAR provisions translated into the local NOCLAR provisions? If yes, please indicate the language of translation.

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Guidance and educational materials

5. What guidance or educational materials has your organization issued, or what programs has your organization developed, to support understanding of the local NOCLAR provisions in your jurisdiction? *(Select all that apply and provide links)*
- Technical guidance (e.g., FAQs)
 - Education/training programs (e.g., webinars, CPD programs)
 - Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
 - Other *(Please specify)*
 - None

Other support

6. Does your organization provide guidance to individual members and accounting firms in the application of the local NOCLAR provisions if they seek such assistance, e.g., in dealing with a NOCLAR matter? *(Select all that apply)*
- Ethics hotline or equivalent (e.g., for technical queries, application questions on the local NOCLAR provisions)
 - Discussion forum (e.g., for sharing knowledge)
 - Whistleblower hotline (e.g., to report actual or suspected NOCLAR)
 - Other *(Please specify)*
 - None

Inquiries and questions

7. Which specific provisions in the local NOCLAR provisions has your organization commonly received inquiries or questions about? *(Please provide details, including from which stakeholder groups the inquiries or questions arose)*

Level of understanding

8. Do your organization's members have an overall understanding of the local NOCLAR provisions? *(Please explain the basis for your response, including how your organization evaluates the overall understanding of the local NOCLAR provisions by its members)*
- Yes
 - Somewhat
 - No
 - Not known or no data available

Enforcement

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9. Does your organization enforce the local NOCLAR provisions?
- Yes (*Please specify (i) when enforcement started, (ii) details such as disciplinary cases against members (the information may be anonymized), and (iii) links to relevant published reports*)
 - No (*Please specify (i) why your organization does not enforce the local NOCLAR provisions, (ii) which organization enforces the local NOCLAR provisions, and (iii) whether your organization receives reports from them*)

Appropriate authority

10. Does your organization have the authority to investigate NOCLAR or suspected NOCLAR that is reported to it and take any necessary action?
- Yes (*Please provide details, including the (i) nature of the NOCLAR matters that have been reported to your organization, and the (ii) actions taken (the information may be anonymized)*)
 - No

Legal protection

11. In your jurisdiction, does legislation or regulation exist (e.g., under whistleblowing laws or regulations) that provides protection from civil, criminal, or professional liability, or from retaliation, when NOCLAR or suspected NOCLAR is disclosed to an appropriate authority? Please provide details.

If yes, is the protection under the relevant law or regulation perceived to be effective? Please explain your response.

Observed outcomes (benefits and challenges)

12. Has your organization observed any trend in instances of NOCLAR reported or escalated?
- If so, please describe the trend and indicate the period for which this trend has been observed, as well as the general nature of the NOCLAR commonly observed.*
13. Based on your organization's observations, has application of the local NOCLAR provisions been effective in deterring the commission of NOCLAR, or rectifying, remediating or mitigating the consequences of NOCLAR? (*Please explain the basis for your response and provide any relevant details, including any supporting materials or reports*)
14. Has your organization observed any challenges in the application of the local NOCLAR provisions? (*Please provide details, including specific provisions that caused particular challenges and why, as well as any actions taken to address them*)
15. Has your organization observed any trends where members or accounting firms encountered NOCLAR or suspected NOCLAR but did not apply the local NOCLAR provisions in whole or in part?
- Yes, the provisions were not applied in whole (*Please explain why the provisions were not applied (e.g., lack of evidence for suspected NOCLAR, confidentiality issues, etc.)*)
 - Yes, the provisions were only partially applied (*Please explain which provisions were not applied, and why (e.g., lack of evidence for suspected NOCLAR, confidentiality issues, etc.)*)
 - No, not observed

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Other comments

16. From your perspective, what further efforts should IESBA pursue to enhance the effectiveness of implementation of the IESBA NOCLAR provisions globally? *(Please explain your response)*
17. Do you have any other comments or specific matters the IESBA should consider as part of this PIR on the IESBA NOCLAR provisions (including on any benefits arising from using the local NOCLAR provisions, or on matters of translation)?

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Part D – Regulators or Oversight Bodies**Adoption status and effective date***Note:*

Adoption (full or with modifications) refers to the formal acceptance and incorporation of the IESBA standards into a jurisdiction's national laws, regulations or professional requirements.

Convergence is where a jurisdiction aligns its national ethics (including independence) standards or provisions with the IESBA standards through a process that seeks to eliminate or minimize differences between the IESBA and national standards or provisions. This includes a process where an IESBA standard is used as a basis to develop the local standard or provisions.

4. Has your organization adopted the NOCLAR provisions of the Code (IESBA NOCLAR provisions)?
(Please choose the most representative answer)
- (a) Yes, with no modifications (Please (i) information on the effective date and (ii) links to the local NOCLAR provisions or the specific announcement of the adoption or issuance of the local NOCLAR provisions)
 - (b) Yes, with modifications (Please (i) describe the nature of, and reasons for the modifications, (ii) provide information on the effective date, and (iii) provide links to the local NOCLAR provisions or the specific announcement of the adoption or issuance of the local NOCLAR provisions)
 - (c) No, but the local NOCLAR provisions are converged with the IESBA NOCLAR provisions (Please (i) provide information on the effective date, (ii) provide links to the local NOCLAR provisions or the specific announcement of the issuance of the local NOCLAR provisions, and (iii) describe any significant differences between the local NOCLAR provisions and the IESBA NOCLAR provisions)
 - (d) No, there are provisions in relevant law or regulation or a different ethical framework that address NOCLAR (Please describe any significant differences between the relevant law or regulation or ethical framework and the IESBA NOCLAR provisions)
 - (e) Not adopted (Please specify reasons. If there is a plan to adopt the IESBA NOCLAR provisions, please provide details including timing)

If you have answered (a), (b) or (c), were the IESBA NOCLAR provisions translated into the local NOCLAR provisions? If yes, please indicate the language of translation.

Guidance and educational materials

5. What guidance or educational materials has your organization issued, or what programs has your organization developed, to support understanding of the local NOCLAR provisions in your jurisdiction? (Select all that apply and provide links)
- Technical guidance (e.g., FAQs)
 - Education/training programs (e.g., webinars, CPD programs)

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- Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
- Other (*Please specify*)
- None

Other support

6. Does your organization provide guidance to individual professional accountants or accounting firms in the application of the local NOCLAR provisions if they seek such assistance, e.g., in dealing with a NOCLAR matter? (*Select all that apply*)
- Ethics hotline or equivalent(e.g., for technical queries, application questions on the local NOCLAR provisions)
 - Discussion forum (e.g., for sharing knowledge)
 - Whistleblower hotline (e.g., to report actual or suspected NOCLAR)
 - Other (*Please specify*)
 - None

Inquiries and questions

7. Which specific provisions in the local NOCLAR provisions has your organization commonly received inquiries or questions about? (*Please provide details including which stakeholder groups the inquires or questions arose*)

Level of understanding

8. Do the professional accountants or accounting firms that your organization regulates or oversees have an overall understanding of the local NOCLAR provisions? (*Please explain the basis for your response, including how your organization evaluates the overall understanding of the local NOCLAR provisions by professional accountants or accounting firms you regulate or oversee*)
- Yes
 - Somewhat
 - No
 - Not known or no data available

Enforcement

9. Does your organization enforce the local NOCLAR provisions?
- Yes (*Please specify (i) when enforcement started, provide (ii) details such as disciplinary cases against professional accountants/accounting firms (information may be anonymized if not public), and (iii) links to relevant published reports*)
 - No (*Please specify (i) why your organization does not enforce the local NOCLAR provisions, (ii) which organization enforces the local NOCLAR provisions, and (ii) whether your*

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organization receives reports from them)

Authority to investigate

10. Does your organization have the authority to investigate NOCLAR or suspected NOCLAR that is reported to it and take any necessary action?
- Yes *(Please provide details, including the (i) nature of the NOCLAR matters that have been reported to your organization, and the (ii) actions taken (the information may be anonymized if not public))*
 - No

Legal protection

11. In your jurisdiction, does legislation or regulation exist (e.g., under whistleblowing laws or regulations) that provides protection from civil, criminal, or professional liability, or from retaliation, when NOCLAR or suspected NOCLAR is disclosed to an appropriate authority? Please provide details.
- If yes, is the protection under the relevant law and regulation perceived to be effective? Please explain your response.

Observed outcomes (benefits and challenges)

12. Has your organization observed any trend in instances of NOCLAR reported or escalated?
- If so, please describe the trend and indicate the period for which this trend has been observed, as well as the general nature of the NOCLAR commonly observed.*
13. Based on your organization's observations, has the application of the local NOCLAR provisions been effective in deterring the commission of NOCLAR, or rectifying, remediating or mitigating the consequences of NOCLAR? *(Please explain the basis for your response and provide any relevant details including any supporting materials or reports)*
14. Has your organization observed any challenges in the application of the local NOCLAR provisions? *(Please provide details, including specific provisions that caused particular challenges and why, as well as any action taken to address them)*
15. Has your organization observed any trends where professional accountants or accounting firms your organization oversees encountered NOCLAR or suspected NOCLAR but did not apply the local NOCLAR provisions in whole or in part?
- Yes, the provisions were not applied in whole *(Please explain why the provisions were not applied (e.g., lack of evidence for suspected NOCLAR, confidentiality issues, etc.))*
 - Yes, the provisions were only partially applied *(Please explain which provisions were not applied, and why (e.g., lack of evidence for suspected NOCLAR, confidentiality issues, etc.))*
 - No, not observed.

Other comments

16. From your perspective, what further efforts should IESBA pursue to enhance the effectiveness of

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implementation of the IESBA NOCLAR provisions globally? *(Please explain your response)*

17. Do you have any other comments or specific matters the IESBA should consider as part of this PIR on the IESBA NOCLAR provisions (including on any benefits arising from using the local NOCLAR provisions, or on matters of translation)?

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Part E – Accounting Firms or individual PAPPs**Adoption status and effective date***Note:*

Adoption (full or with modifications) refers to the formal acceptance and incorporation of the IESBA standards into a jurisdiction's national laws, regulations or professional requirements or, if your firm belongs to a network, your network's policies and methodologies.

Convergence is where a jurisdiction aligns its national ethics (including independence) standards with the IESBA standards through a process that seeks to eliminate or minimize differences between the IESBA and national standards or provisions. This includes a process where an IESBA standard is used as a basis to develop the local standards or provisions.

4. Has your firm implemented global, regional or local policies and methodologies that adopt the NOCLAR provisions of the Code (IESBA NOCLAR provisions) or the locally adopted version of the IESBA NOCLAR provisions, as applicable? *(Please choose the most representative answer)*
- (a) Yes, through full adoption with no modifications *(Please provide (i) information on the effective date and (ii) details of your firm's NOCLAR policies and methodologies)*
 - (b) Yes, through adoption with modifications *(Please (i) describe the nature of, and reasons for the modifications, (ii) provide information on the effective date and (iii) provide details of your firm's NOCLAR policies and methodologies)*
 - (c) No, our firm's policies and methodologies implement local NOCLAR provisions that are converged with the IESBA NOCLAR provisions *(Please (i) provide information on the effective date, (ii) provide details of your firm's NOCLAR policies and methodologies, and (iii) describe any significant differences between your firm's NOCLAR policies and methodologies and the IESBA NOCLAR provisions)*
 - (d) No, our firm's policies and methodologies are based on law or regulation or a different ethical framework that address NOCLAR *(Please describe any significant differences between your firm's NOCLAR policies and methodologies and the IESBA NOCLAR provisions)*
 - (e) Not adopted *(Please specify reasons. If there is a plan to adopt the IESBA or local NOCLAR provisions, please provide details, including timing)*

If you have answered (a), (b) or (c), were the IESBA NOCLAR provisions translated into the local NOCLAR provisions? If yes, please indicate the language of translation.

5. This question is for global networks.

Where an individual firm is part of a global network and the network has adopted the IESBA NOCLAR provisions, how are these provisions implemented across network firms in the following situations:

- The jurisdiction in which the individual firm is based has not adopted the IESBA NOCLAR provisions *(Please describe the circumstances and how this interacts with the network policies)*

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- The jurisdiction in which the individual firm is based has provisions in relevant law or regulation or another ethical framework that address NOCLAR (*Please describe the circumstances and how this interacts with the network policies*)

Guidance and Educational Materials

6. What guidance or educational materials has your firm or network issued, or what programs has your firm or network developed, to support understanding of the NOCLAR policies and methodologies of the firm or network? (*Select all that apply and provide links*)
- Technical guidance (e.g., FAQs)
 - Education/training programs (e.g., webinars)
 - Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
 - Other (*Please specify*)
 - None

Other support

7. If your firm is part of a network, does the network provide guidance to network firms in the application of the network's NOCLAR policies and methodologies? (*Select all that apply*)
- Ethics hotline or equivalent(e.g., for technical queries, application questions on the network's NOCLAR policies and methodologies)
 - Discussion forum (e.g., knowledge sharing)
 - Other (*Please specify*)
 - None

Level of understanding by auditors

8. Do audit partners and staff within your firm have an overall understanding of your firm's NOCLAR policies and methodologies? (*Please explain the basis for your response, including how your organization evaluates the overall understanding of the local NOCLAR provisions by its audit personnel*)
- Yes
 - Somewhat
 - No
 - Not known or no data available

Level of understanding by non-auditors (i.e., consulting/advisory)

9. Do non-audit partners and staff within your firm have an overall understanding of your firm's NOCLAR policies and methodologies? (*Please explain the basis for your response, including how your organization evaluates the overall understanding of the local NOCLAR provisions by its non-audit*)

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personnel)

- Yes
- Somewhat
- No
- Not known or no data available

Practical experience (benefits and challenges)

10. Have you or your firm encountered any NOCLAR or suspected NOCLAR (i) at a client, or (ii) within the firm?
- Yes, *(Where possible, please provide details such as (i) general nature of the NOCLAR or suspected NOCLAR, (ii) whether the client was an audit or non-audit client, (iii) to whom it was communicated, and (iv) how the matter has been addressed (information provided may be anonymized))*
 - No
11. Have you or your firm observed any trend in instances of NOCLAR reported or escalated?
- If so, please describe the trend and indicate the period for which this trend has been observed, as well as the general nature of the NOCLAR commonly observed.*
12. What benefits have you or your firm experienced as a result of the implementation of its NOCLAR policies and methodologies? *(Please explain the basis for your response, e.g., do partners and staff feel better equipped to hold a conversation on a NOCLAR matter with their client; the standard helpful in guiding partners and staff as to how to respond to a NOCLAR or suspected NOCLAR matter?)*
13. Which aspects of the IESBA NOCLAR provisions or the local NOCLAR provisions has your firm found most challenging to apply when responding to a NOCLAR or suspected NOCLAR? *(Please provide details, including whether the challenges were for (i) audit partners and staff, and (ii) non-audit partners and staff)*
14. Has your firm's whistleblowing policy been used by personnel within the firm to respond to a NOCLAR or suspected NOCLAR? If so, why was this used instead of escalating the matter to a supervisor or above? *(Please provide details (information provided may be anonymized))*

Legal protection

15. In your jurisdiction, does legislation or regulation exist (e.g., under whistleblowing laws or regulations) that provides protection from civil, criminal, or professional liability, or from retaliation, when NOCLAR or suspected NOCLAR is disclosed to an appropriate authority? Please provide details.
- If yes, is the protection under the relevant law and regulation perceived to be effective? *(Please explain your response)*

Other comments

16. From your perspective, what further efforts should IESBA pursue to enhance the effectiveness of implementation of the IESBA NOCLAR provisions globally? *(Please explain your response)*

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17. Do you have any other comments or specific matters the IESBA should consider as part of this PIR on the IESBA NOCLAR provisions (including on matters of translation)?

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Part F – Professional Accountants in Business (PAIBs)

This section refers to the “local NOCLAR provisions” issued by your professional accountancy organization, a regulator or the local standard setter responsible for promulgating ethics standards for PAIBs, where those local provisions are based on the NOCLAR provisions in the IESBA Code.

Guidance and educational materials

4. What guidance or educational materials have you received or accessed on the local NOCLAR provisions? *(Select all that apply and provide links)*
 - Technical guidance (e.g., FAQs)
 - Education/training programs (e.g., webinars, CPD programs)
 - Articles, publications or newsletters (e.g., updates about standards, case studies or illustrative examples)
 - Other *(Please specify)*
 - None
5. From which organizations have you received guidance or educational materials on the local NOCLAR provisions? *(Select all that apply)*
 - Professional Accounting Organization (PAO)
 - Regulator or oversight body
 - Accounting firms
 - Other
 - None

Other support

6. Do you have access to guidance on the application of the local NOCLAR provisions if you seek such assistance, e.g., in dealing with a NOCLAR or suspected NOCLAR? *(Select all that apply)*
 - Ethics hotline or equivalent (e.g., for technical queries, application questions on the local NOCLAR provisions)
 - Discussion forum (e.g., for sharing knowledge)
 - Whistleblower hotline (e.g., to report actual or suspected NOCLAR)
 - Other *(Please specify)*
 - None

Inquiries and questions

7. Which specific provisions in the local NOCLAR provisions have you inquired or raised questions about? *(Please provide details)*

Integration into internal framework

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8. Has your employing organization made changes to its governance mechanisms, ethics policies and procedures, or internal code of conduct in response to the issuance of the local NOCLAR provisions?
- Yes *(Please describe)*
 - No
 - Not known

Level of understanding

9. Do you have an overall understanding of the local NOCLAR provisions?
- Yes
 - Somewhat
 - No

Practical experience (benefits and challenges)

10. Have you encountered any NOCLAR or suspected NOCLAR in your work?
- Yes, *(Where possible, please provide details such as (i) general nature of the NOCLAR, (ii) to whom it was communicated, and (iii) how the matter has been addressed (information provided may be anonymized))*
 - No
11. What benefits have you experienced as a result of the application of the local NOCLAR provisions? *(Please explain the basis for your response, e.g., you feel better equipped to hold a conversation on a NOCLAR matter with management or those charged with governance of your employing organization; the standard was helpful in guiding you as to how to respond to a NOCLAR or suspected NOCLAR matter?)*
12. Which of the local NOCLAR provisions have you found most challenging to apply when responding to a NOCLAR or suspected NOCLAR? *(Please provide details)*
13. Have you used your employing organization's whistleblowing policy in responding to a NOCLAR or suspected NOCLAR? If so, why did you use this whistleblowing policy instead of escalating the matter to a supervisor or above? *(Please provide details (information provided may be anonymized))*

Legal protection

14. In your jurisdiction, does legislation or regulation exist (e.g., under whistleblowing laws or regulations) that provides protection from civil, criminal, or professional liability, or from retaliation, when NOCLAR or suspected NOCLAR is disclosed to an appropriate authority? Please provide details.
- If yes, is the protection under the relevant law and regulation perceived to be effective? Please explain your response.

Other comments

15. From your perspective, what further efforts should IESBA pursue to enhance the effectiveness of

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implementation of the IESBA NOCLAR provisions globally? *(Please explain your response)*

16. Do you have any other comments or specific matters the IESBA should consider as part of this PIR on the IESBA NOCLAR provisions (including on any benefits arising from using the local NOCLAR provisions)?

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Part G – Other Users or Beneficiaries of the Code

4. *This section refers to the “local NOCLAR provisions” issued by the local professional accountancy organization, a regulator or the local standard setter responsible for promulgating ethics standards for PAPPs and/or PAIBs, where those local provisions are based on the NOCLAR provisions in the IESBA Code. Has implementation of the local NOCLAR provisions enhanced your confidence in professional accountants and accounting firms responding to NOCLAR or suspected NOCLAR? (Please explain your response)*
5. From your perspective, what further efforts should IESBA pursue to enhance the effectiveness of implementation of the IESBA NOCLAR provisions globally? *(Please explain your response)*
6. In your jurisdiction, does legislation or regulation exist (e.g., under whistleblowing laws or regulations) that provides protection from civil, criminal, or professional liability, or from retaliation, when NOCLAR or suspected NOCLAR is disclosed to an appropriate authority? *(Please provide details)*

If yes, is the protection under the relevant law or regulation perceived to be effective? (Please explain your response)
7. Do you have any other comments or specific matters the IESBA should consider as part of this PIR on the IESBA NOCLAR provisions?

End of survey

Thank you for your valuable input. Your input will inform the IESBA's Post-Implementation Review and help the IESBA develop clear, robust and practical ethics standards that reinforce public trust in the profession and effectively serve the public interest.

~~Agenda Paper 3.2~~
~~Meeting 175~~

GS 007
(June 2026)

Guidance Statement GS 007 ***Audit Implications of the Use of Service*** ***Organisations for Investment Management*** ***Services***

Issued by the **Auditing and Assurance Standards Board**

DRAFT



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Guidance Statement

This Guidance Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

Important Note

Guidance Statements are developed and issued by the AUASB to provide guidance to auditors and assurance practitioners on the application of AUASB Standards and, where relevant, legislation, regulation or other authoritative publication, to assist auditors and assurance providers to comply with Standards. Guidance Statements are intended to assist auditors and assurance practitioners in applying an existing standard or standards of general application to particular circumstances or specialised industries/sectors.

Guidance Statements are designed to provide guidance to auditors and assurance practitioners to achieve the objective(s) of the audit or other assurance engagement. Accordingly, Guidance Statements refer to, and are written in the context of a specific AUASB Standard(s); and where relevant, legislation, regulation or other authoritative publication. Guidance Statements are not aimed at providing guidance covering all aspects of the audit or other assurance engagement.

Guidance Statements, whilst formally approved and issued by the AUASB, do not establish new principles or amend existing standards. Guidance Statements therefore do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards and are not legally enforceable.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* provides guidance to auditors on <type here>. It is not, and is not intended to be, a substitute for compliance with relevant AUASB Standard(s) and auditors and assurance practitioners are required to comply with the relevant AUASB Standard(s) when conducting an audit or other assurance engagement.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

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Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to achieve the objectives of the audit or other assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The auditor exercises professional judgement when using this Guidance Statement.

This Guidance Statement does not prescribe or create new requirements.

Dated: <TypeHere>

D Niven
Chair - AUASB

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

Conformity with International Pronouncements

There is no pronouncement issued by the International Auditing and Assurance Standards Board equivalent to this Guidance Statement.

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Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

GUIDANCE STATEMENT GS 007

Audit Implications of the Use of Service Organisations for Investment Management Services

Application

1. This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to:
 - (a) auditors (user auditors) of a financial report of an entity (user entity) which uses a third-party service organisation to provide investment management services; and
 - (b) auditors (service auditors) of those service organisations, who provide reports on controls or financial information which may be used as audit evidence in the audit of the user entity's financial report.

Issuance Date

2. This Guidance Statement is issued on [...] 2026 by the AUASB and replaces Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*, issued in October 2011. It is operative for reporting periods commencing on or after 1 January 2027.

Introduction

3. This Guidance Statement provides guidance to:
 - (a) user auditors in applying Auditing Standard ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation*, when using reports on controls at a service organisation, and other Australian Auditing Standards, when using service auditor's reports on financial information as audit evidence relating to investment management services provided by the service organisation; and
 - (b) service auditors in applying Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, when engaged to report on controls, and other Australian Auditing Standards, when engaged to report on financial information, relating to components of user entities for which investment management services are provided by the service organisation.
4. Part A of this Guidance Statement (paragraphs 22-76) provides guidance to user auditors but is to be read in conjunction with, and is not a substitute for referring to the requirements and application material contained in, ASA 402, when using a service auditor's report on controls, or Australian Auditing Standards, when using a service auditor's report on financial information. This Guidance Statement is applicable to user auditors when:
 - (a) the services provided are part of the user entity's information system, including related business processes, relevant to financial reporting;¹
 - (b) audit evidence required by the user auditor regarding internal controls and/or assertions is located at the service organisation; and

¹ See ASA 402, paragraph 3.

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- (c) reports on controls at the service organisation and/or a service auditor's report on specified assertions or a financial statement of the user entity's balances or transactions relating to the services provided by the service organisation are available.
5. Part B of this Guidance Statement (paragraphs 77-145) provides guidance to the service auditor but is to be read in conjunction with, and is not a substitute for referring to the requirements and application material contained in ASAE 3402, when reporting on controls, and Auditing Standard ASA 805,² when reporting on financial information.

Types of Reports

6. This Guidance Statement provides guidance for the preparation and use as audit evidence of the following reports:
- (a) Reports on the description and design of controls at a service organisation (type 1 report) or description, design and operating effectiveness of controls at a service organisation (type 2 report), relating to the service organisation's system over the investment management services provided to user entities, prepared in accordance with ASAE 3402.
 - (b) Service auditor's reports on financial information, prepared in accordance with ASA 805,³ comprising either:
 - (i) a service auditor's report on specified assertions regarding balances or transactions of the user entity reported in a financial statement by the service organisation, which provides investment management services, ("service auditor's report on specified assertions"); or
 - (ii) a service auditor's report on a financial statement of the user entity's balances or transactions ("statement") reported by the service organisation which provides investment management services ("service auditor's report on a statement").
7. Type 1 and 2 reports on controls comprise:⁴
- (a) A service organisation's description of its investment management services system, including identification of:
 - (i) the services covered;
 - (ii) the date or period to which the description relates;
 - (iii) control objectives, including the control objectives listed in Appendix 3 of this Guidance Statement, for the relevant investment management services provided; and
 - (iv) related controls.
 - (b) A written assertion by the service organisation that, in all material respects, and based on suitable criteria:

² See ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

³ ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* is also applicable if the financial information is a financial report or complete set of financial statements prepared in accordance with a special purpose framework.

⁴ See ASAE 3402, paragraph 9.

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- (i) the description fairly presents the service organisation's system as designed and implemented;
 - (ii) the controls related to the control objectives stated in the service organisation's description of its system were suitably designed as at the specified date, for a type 1 report, or throughout the period, for a type 2 report; and
 - (iii) for a type 2 report, the controls operated effectively throughout the specified period.
- (c) A service auditor's assurance report that conveys reasonable assurance about the service organisation's assertions, including for type 2 reports, a description of the tests of controls and the results thereof.
8. A type 1 report is used by a user auditor to understanding the entity in accordance with Auditing Standard ASA 315,⁵ whereas a type 2 report may also be used by a user auditor in responding to assessed risks in accordance with Auditing Standard ASA 330.⁶ A type 2 report is not necessary, if the user auditor concludes that the risk of material misstatement will not be affected by the controls at the service organisation, or that it is more appropriate to gather the evidence required by other means, including obtaining a service auditor's report on financial information.
9. The following table, entitled *Table 1: Service Auditor's Reports*, outlines the context in which each of these reports is prepared and used as audit evidence. Table 1 lists the reports included in this Guidance Statement, the subject matter covered by each report, the circumstances for which each report may be useful to user auditors, standards relevant to the preparation and use of each report and references to appendices containing examples of each report and related engagement letters.

⁵ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*.

⁶ See ASA 330 *The Auditor's Responses to Assessed Risks*.

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Table 1: Service Auditor's Reports

Title of Report	Subject Matter Covered by Report	Circumstances for Which Report is Used by User Auditors	Relevant Standards	Appendix Reference for Examples
Reports on controls				
1. Type 1 report ⁷	Description and design of controls at the service organisation.	Planning: Obtaining an understanding of the user entity and its environment, including controls over services provided by the service organisation, in order to assess the risk of material misstatement and design further audit procedures.	User Auditor: ASA 402 and ASA 315 Service Auditor: ASAE 3402	Engagement letter and service auditor's type 1 report: No example provided as this report is not likely to meet the needs of all user auditors.
2. Type 2 report ⁸	Description, design, and operating effectiveness of controls at the service organisation.	Planning: Obtaining an understanding of the user entity and its environment: as for type 1 reports. Responding to the assessed risks of material misstatement when evidence is required of the operating effectiveness of controls over the services provided at the service organisation.	User Auditor: ASA 402 and ASA 330 Service Auditor: ASAE 3402	Engagement letter: Appendix 1 Example 1. Service Organisation's assertion and description of its system: Appendix 2. Minimum Control Objectives: Appendix 3. Service auditor's type 2 report: Appendices 4 and 5.
Reports on financial information				
3. Service auditor's report on specified assertions ⁹	Specified assertions regarding balances or transactions of the user entity	Require evidence from procedures conducted at the service organisation regarding certain assertions with respect to balances or transactions of the user entity, reported in a Statement.	Service Auditor: ASA 805	Engagement letter: Appendix 1 Example 2 Service auditor's report: Appendix 6 Example 1

⁷ See paragraph 8 of this Guidance Statement.

⁸ See paragraph 8 of this Guidance Statement.

⁹ See paragraph 7(b)(i) of this Guidance Statement.

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Title of Report	Subject Matter Covered by Report	Circumstances for Which Report is Used by User Auditors	Relevant Standards	Appendix Reference for Examples
	reported in a Statement.			
4. Service auditor's report on a Statement ¹⁰	Balances or transactions of the user entity reported in a Statement.	Require evidence from procedures conducted at the service organisation regarding the balances or transactions of the user entity, reported in a Statement.	Service Auditor: ASA 805	Engagement letter: Appendix 1 Example 3 Service auditor's report: Appendix 6 Example 2

¹⁰ See paragraph 7(b)(ii) of this Guidance Statement.

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Reports Not Specifically Addressed in this Guidance Statement

10. The guidance in this Guidance Statement is based on reasonable assurance engagements. It does not apply to an engagement to provide a review conclusion on controls based on limited assurance, however, it may be adapted, as necessary in the circumstances, to an engagement to provide limited assurance on specified assertions or a Statement. A review conclusion from the service auditor may be appropriate where the user auditor is engaged to perform a review of the user entity's financial report. The service auditor exercises professional judgement in applying this Guidance Statement to a review and, when reporting on specified assertions or a Statement, complies with the requirements of relevant standards on review engagements.
11. Other reports may be required by the user entity as set out in the contract and/or service level agreement for purposes such as monitoring the performance of the service organisation, however the reports covered by this Guidance Statement are limited to those that may be used by user auditors as audit evidence for the audit of the user entity's financial report.
12. The user auditor may request the user entity to obtain from the service auditor, or directly engage the service auditor to provide, a report on agreed-upon procedures. Agreed-upon procedures engagements may be appropriate in certain circumstances to provide evidence that the user auditor requires, for example when:
 - A type 2 report is provided, however the user auditor requires more evidence with respect to controls over a specified area, such as unit pricing.
 - Provision of a service auditor report on controls is not agreed in the service level agreement or contract, but the user auditor nevertheless requires selected controls to be tested at the service organisation.
 - A service auditor's report on specified assertions is provided for assets under the custody of a custodian, but does not address assets outside the custody of the custodian for which the custodian provides investment administration services. Additional agreed-upon procedures are performed to assist the user auditor to obtain evidence on the existence or valuation of the assets outside the custody of the custodian.
 - A service auditor's report on specified assertions is provided as described in this Guidance Statement, however further audit procedures are required by the user auditor in obtaining sufficient appropriate audit evidence with respect to particular assertions. For example, with respect to the assertion of valuation, agreement of valuation input variables to source data may be required by the user auditor.

Such engagements are conducted under Standards on Related Services¹¹ and no further guidance on agreed-upon procedures engagements is provided in this Guidance Statement.

13. ASA 402 does not apply to services provided by financial institutions which are limited to processing of transactions that are specifically authorised by the user entity.¹² Therefore reports prepared under ASAE 3402 are not usually necessary for banks processing clients' account transactions or brokers processing clients' securities transactions. Nor does ASA 402 apply to transactions relating to financial interests in other entities when those interests are accounted for and reported to interest holders. Therefore, reports under ASAE 3402 are not generally necessary for unitised funds or other investments of an entity for which prices are publicly available. Hence, a user entity's direct investments in unitised funds (e.g. managed investment schemes) are outside the scope of this guidance statement, irrespective of whether they are internally and externally managed. However, unitised funds or other investments may themselves be user entities that use service organisations to provide investment management services. In such cases those arrangements are within the scope of this Guidance Statement, in

¹¹ See ASRS 4400 *Agreed-upon Procedures Engagements to Report Factual Findings*.

¹² See ASA 402, paragraph 5.

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which case it is appropriate for the service organisation to provide a type 1 or 2 report. Unitised funds and unit pricing of those funds are addressed in the control objectives within this Guidance Statement only in the context of service organisations which provide administration services to unitised funds as user entities, including the management of the unitised fund's own unit registry and unit pricing.

Services Relevant to this Guidance Statement

14. This Guidance Statement has been developed specifically for circumstances where service organisations provide investment management services to user entities, where those services and the controls over them, are part of the user entity's information system, including business processes, relevant to financial reporting,¹³ and as a result are relevant to the audit of a user entity's financial report. The Investment Management Services addressed in this Guidance Statement are:

- Custody.
- Asset Management.
- Property Administration Management.
- Superannuation Member Administration.
- Investment Administration.
- Registry.
- Information Technology

Each of these services is defined in Appendix 3.

15. Controls over the calculation of unit pricing are not included as part of the services addressed in this Guidance Statement as reliance can generally be placed on the publicly available unit price, where appropriate, with additional procedures to assess the bona fides of the fund such as sighting audited financial statements of the fund, for the assertion of valuation for investments in unitised funds. If user auditors require assurance over unit pricing, for governance or compliance purposes, they may request that control objectives and controls for unit pricing are included in the service organisation's description of the system and audited by the service auditor.

16. Operators of investor directed portfolio services (IDPS)¹⁴ and investor directed portfolio-like services are required by ASIC Class Order 02/294¹⁵ and Class Order 02/296¹⁶ to obtain an auditor's report providing: *[ASIC Class Order references to be updated]*

- (a) an opinion on the internal controls and other relevant accounting procedures as they relate to the specific annual investor statements; and

¹³ The circumstances under which a service organisation's services are part of a user entity's information system, including business processes, relevant to financial reporting, are provided in ASA 402, paragraph 3.

¹⁴ "IDPS" means an investor directed portfolio service, consisting of a number of functions including a custody, settlement and reporting system and service. The clients of the service have the sole discretion to decide what assets will be acquired or disposed of. The service is provided in such a way that clients are led to expect, and are likely to receive, benefits in the form of access to investments that the client could not otherwise access directly or cost reductions by using assets contributed by the client or derived directly or indirectly from assets contributed by the client with assets contributed by other clients or derived directly or indirectly from assets contributed by other clients.

¹⁵ See ASIC Class Order 02/294 *Investor Directed Portfolio Services*.

¹⁶ See ASIC Class Order 02/296 *Investor Directed Portfolio-like Services Provided Through a Registered Managed Investment Scheme*.

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- (b) a review conclusion on the annual investor statements, quarterly reports in certain circumstances and information accessible to clients electronically.

These class orders provide requirements for the form and content of the report in these circumstances. Reports provided under these class orders may provide sufficient appropriate audit evidence for a user auditor. If additional evidence is required by the user auditor, a service auditor's report on controls or on financial information may be requested. IDPS or IDPS-like services generally include custody and investment administration, consequently, if a type 1 or 2 report is provided, the user auditor can reasonably expect the operator (service organisation) and service auditor to report on the control objectives for the relevant services provided in this Guidance Statement.

17. Online platforms (e.g., Wrap platforms, Digital asset custody platforms, etc.) are not explicitly addressed as part of the services addressed in this Guidance Statement. These services generally include asset management, investment administration and custody, consequently, if a type 1 or 2 report is provided, the user auditor can reasonably expect the operator (service organisation) and service auditor to report on the control objectives for the services provided in this Guidance Statement, adapted as necessary to address other key risks or assertions and control objectives that are relevant in the circumstances.
18. While this Guidance Statement has been developed for services that impact user entity financial reporting, Appendix 3 include controls over maintaining the integrity of client financial data because such controls are considered relevant to financial reporting. If the service organisation's report is to include controls to address additional aspects of operational resilience (related to business continuity plans and cybersecurity) or other matters required by regulatory bodies, the service auditor's report would need to be broader than the controls described in Appendix 3.
19. Types of service organisations which provide some or all of the investment management services addressed in this Guidance Statement include:
- Custodians.
 - Third Party Administrators.
 - Investment Managers.
 - Registrars.
 - Trust Departments of Financial Institutions.
 - Prime Brokers.
20. The responsible parties which typically engage the services of these service organisations on behalf of user entities, include but are not limited to:
- Trustees of Superannuation Funds.
 - Responsible Entities for Registered Managed Investment Schemes.
 - Trustees of Unregistered Unit Trusts.
 - Boards of Insurance Companies.
21. The responsibilities of the responsible party of a user entity are set out in the relevant laws and regulations governing their role and the particular services they oversee.

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A: GUIDANCE FOR THE USER AUDITOR

22. The use of a service organisation for the provision of investment management services by a user entity does not alter the overall objective of the audit of the user entity's financial report, therefore it remains the responsibility of the user auditor to obtain sufficient appropriate audit evidence to support the auditor's opinion. The requirements of the Auditing Standards relating to obtaining sufficient appropriate evidence on which to form an opinion are the same as would apply if the records and supporting documentation were maintained by the user entity.

Risk assessment procedures

23. In addition to the risk assessment procedures performed in accordance with ASA 315 (Revised 2019), ASA 402 requires the user auditor to obtain an understanding of the nature and significance of the services that the service organisation provides to the user entity and the effect of those services on the user entity's system of internal control.
24. When the user auditor plans to rely on controls at the service organisation to reduce testing from substantive procedures, ASA 402 requires the user auditor to obtain evidence about the operating effectiveness of those controls.
25. The user auditor may not be able to obtain the above-mentioned understanding or evidence at the user entity. It may also not be practicable for the user auditor to contact or visit the service organisation. The user auditor is therefore likely to request management to obtain a type 1 or 2 report to provide the necessary understanding¹⁷ and/or evidence.¹⁸

Subservice organisations

26. Service organisations often outsource activities to other specialist organisations. The outsourced activities may form an integral part of the service organisation's responsibilities towards user entities. If not, the specialist organisation is regarded as a supplier. A specialist organisation is regarded as a subservice organisation if the outsourced activities and related controls affect the achievement of the service organisation's relevant control objectives. Relevant control objectives relate to services that are included in the scope of the engagement.
27. If the service organisation uses a subservice organisation, the user auditor also obtains an understanding of the nature and significance of the services provided by the subservice organisation. As described in paragraph 25 of this Guidance Statement, the user auditor will likely use a type 1 or 2 report¹⁹ to obtain the necessary understanding, and has regard for the service auditor's risk assessment procedures described in paragraphs 90 to 100 of this Guidance Statement.
28. There are two methods that the service organisation can apply to deal with subservice organisations in the type 1 or 2 reports, namely the carve-out method and the inclusive method. Regardless of the method applied, the service organisation retains responsibility for the control activities that have been outsourced to the subservice organisation, and managing the risks associated with those control activities. The service organisation also monitors the effective operation of controls over activities carried out on its behalf.
29. Therefore, the service organisation's description under both methods includes the nature of the relevant services performed by the subservice organisation, which support the achievement of the service organisation's control objectives. The type 2 report also describes the service organisation's monitoring control activities at the governance (strategic and contractual relationship) level and operational level.

¹⁷ See ASA 402, paragraph 12

¹⁸ See ASA 402, paragraph 16.

¹⁹ See ASA 402, paragraphs 18 and A40 (referring to paragraphs 9-14).

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30. If the inclusive method is applicable, the user auditor normally obtains evidence of the operating effectiveness of the subservice organisation's controls by using a type 2 report of the service organisation. With this method, the scope of the service auditor's assurance also covers the subservice organisation's relevant control activities.
31. If the carve-out method is applicable²⁰, the user auditor normally obtains evidence of the operating effectiveness of the subservice organisation's controls by either:
- Using a type 2 report of the subservice organisation's relevant control activities, if available; or
 - Using a type 2 report of the service organisation's monitoring controls over the subservice organisation's relevant control objectives and activities. Relevant monitoring controls may include, for example:
 - (at the governance level) review of contractual terms, review of established service standards (or service level agreements), or periodic service level meetings; and
 - (at the operational level) review of daily reconciliation exception reports, review of monthly Net Asset Value reports or review of daily back-up completion reports.
32. In the unusual circumstances when the above information is not available or only a type 1 report is available, the user auditor may, through the user entity, request the service organisation:
- To apply the inclusive method for the subservice organisation; or
 - To provide access to the service organisation so that the user auditor can perform the necessary procedures at the service organisation, or the service auditor/another auditor can perform the procedures described in paragraph 12 of this Guidance Statement.

Using a Type 1 or Type 2 Report on Controls

33. The user auditor is required to determine whether the type 1 or 2 report provides sufficient appropriate audit evidence to support the user auditor's understanding of the design and implementation of controls at the service organisation.²¹
34. A type 1 report cannot be relied upon to reduce the level of substantive procedures conducted by the user auditor, as it does not provide any evidence of the operating effectiveness of the controls reported upon. Consequently, the usefulness of a type 1 report to a user auditor is limited to planning the audit, assessing the risk of material misstatement and designing further audit procedures.
35. The user auditor is required to determine whether the type 2 report provides sufficient appropriate audit evidence that the controls relevant to the user auditor are mitigating the user auditor's assessed risks of material misstatement at the assertion level.²²

Time period covered by the type 2 report

36. As part of determining whether the type 2 report provides sufficient appropriate audit evidence, the user auditor evaluates the time period covered by the tests of controls²³. When the type 2 report does not cover the period of the user entity's financial statements that are

²⁰ See ASA 402, paragraphs 18 and A40 (referring to paragraphs 15-16)

²¹ See ASA 402, paragraphs 14.

²² See ASA 402, paragraph 17.

²³ See ASA 402, paragraphs 17(c) and A32.

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- being audited, the user auditor determines whether there is a possibility that the controls could have changed in the remaining period.
37. In doing so, the user auditor considers whether information that came to their attention (while performing other procedures), could indicate that changes occurred in the service organisation's controls. Errors identified during substantive testing could for example be an indication of a change in the underlying controls.
38. The user auditor also enquires of the user entity's management whether they have identified any changes in the service organisation's controls after the period covered by the type 2 report or identified any errors in the service organisation's processing. Examples of where these changes might be identified, include the following:
- Changes communicated to user entity management from the service organisation.
 - Changes in personnel at the service organisation with whom user entity management interacts.
 - Changes in reports or other data received from the service organisation.
 - Changes in contracts or service level agreements with the service organisation.
39. The user auditor evaluates the effects of any changes in the service organisation's controls on the effectiveness of the user entity's internal control over financial reporting, as applicable, and considers the factors described below to determine whether additional evidence is needed about the operating effectiveness of controls over the remaining period²⁴:
- The assertions to which the tests of controls relate.
 - The significance of the assessed risks of material misstatement related to those assertions.
 - The specific controls that were tested (i.e. their nature, for example automated or manual controls, and their frequency, for example monthly, weekly, daily or multiple times a day).
 - The degree to which audit evidence about the operating effectiveness of those controls was obtained.
 - The length of the remaining period taking into account the date of the assurance report which will be later than the period end of the controls report (the longer that period, the more persuasive the evidence would need to be).
 - The extent to which the substantive procedures are intended to be reduced by the controls.
 - The effectiveness of the control environment and the user entity's process to monitor the system of internal control.
40. Additional audit evidence typically includes obtaining a bridging letter from the service organisation attesting that the internal controls are still operating effectively. The information provided in a bridging letter is equivalent to making high-level enquiries of the service organisation's management, which provides the following information:
- A summary of any significant changes to the system description;

²⁴ See ASA 402 paragraph A33

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- Details of any significant changes to the risks, control objectives or control activities;
 - Details of any major and relevant other exceptions, and their impact on the control objectives;
 - [other]; and
 - A statement by senior management that they have assessed the effectiveness of the control activities and provide the results thereof.
41. When the remaining period is up to 3 months, and the bridging letter does not identify significant changes, the user auditor evaluates the combination of evidence gathered (see paragraphs 36 to 40) in concluding whether sufficient appropriate audit evidence has been obtained. Depending on the circumstances, it may not be necessary to obtain any further audit evidence.
42. When the remaining period is more than 3 months, up to and including 6 months, and the bridging letter does not identify significant changes, it is likely that the user auditor will obtain additional audit evidence by, for example, testing the user entity's process to monitor the service organisation's system of internal control²⁵, or requesting that tests of controls be performed over the remaining period.
43. When the remaining period is more than 6 months, up to and including 9 months, and the bridging letter does not identify significant changes, it is likely that the user auditor will obtain additional audit evidence by, for example, requesting that tests of controls be performed over the remaining period.
44. When there are significant changes in any of the remaining periods described in paragraphs 41 to 43 of this guidance statement, the user auditor obtains audit evidence by requesting that tests of controls be performed on the amended controls over the remaining period.
45. If additional audit evidence from tests of controls, as described in paragraphs 41 to 44, cannot be obtained on the remaining period, it is likely that the user auditor will increase the extent of substantive testing. The user auditor's substantive testing approach may involve using the service auditor to perform these tests, using another auditor, or alternatively the user auditor undertaking the testing themselves at the service organisation.

Service auditor's description of tests performed and the results thereof

46. As part of determining whether the type 2 report provides sufficient appropriate audit evidence, the user auditor considers the service auditor's description of the tests carried out and the results thereof. Exceptions noted by the service auditor, or a modified opinion, do not automatically mean that the service auditor's type 2 report will not be useful for the audit of the user entity's financial statements.
47. The user auditor considers the service auditor's description of the tests performed, the results of those test and analysis of the cause of any exceptions noted and therefore how they affect the user auditor's reliance on the related controls, and whether further substantive procedures are needed. The matter giving rise to a modification could be used in assessing the risks of material misstatement, or the matter giving rise to a modification may not be pervasive and therefore the auditor may be able to rely on the operating effectiveness of unaffected controls. See paragraphs 102 to 113 of this Guidance Statement on the service auditor's description of the nature timing and extent of testing and paragraphs 125 to 126 on modified opinions.
48. If the impact of an exception or matters giving rise to a modified opinion are not apparent from the description, the user auditor may discuss such matters with the service auditor. See

²⁵ See ASA 402 paragraph A34

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the section on “communicating with the service auditor” below, for guidance on communication practices.

Other considerations when using a type 1 or 2 report

49. Whilst the user auditor makes their own assessment of the relevance of the service auditor’s tests of controls to the assertions in the user entity’s financial report, when investment management services are provided, the user auditor can reasonably expect:
- (a) each of the control objectives specified in this Guidance Statement²⁶ for the relevant investment management service/s to be addressed in the service organisation’s description of its system and assertion;
 - (b) the related controls identified to be reported on by the service auditor; and
 - (c) adequate justification to be provided by the service organisation for any control objectives for which no related controls are identified.
50. When the service organisation reports against the minimum control objectives provided in this Guidance Statement it assists the user auditor to:
- Compare directly the controls in place at different service organisations providing the same investment management services.
 - Collate the results of the controls tested where multiple service organisations are used to provide the same service.
 - Identify omissions in the user entity’s description of the system or gaps in the system of control over the relevant investment management services.
51. If the assurance report on controls was prepared by a service auditor practicing in another jurisdiction, or by a service provider that does not follow this Guidance Statement, the user auditor assesses the adequacy of the evidence that the assurance report provides. In assessing the sufficiency and appropriateness of the evidence that the assurance report provides, in addition to consideration of the matters required in ASA 402,²⁷ the user auditor:
- compares the control objectives with the minimum control objectives in appendix 3 as a means of assessing the suitability of the control objectives used as criteria in the assurance report provided;
 - compares the sample sizes with the minimum sample sizes in paragraph 9107 as a means of assessing the sufficiency of the evidence that the controls report provides
 - confirms that the service auditor’s procedures include procedures over the completeness and accuracy of the population from which items were selected for testing.

If the above-mentioned information is not apparent, the user auditor may discuss such matters with the service auditor. See the section on “communicating with the service auditor” below, for guidance on communication practices.

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User-entity monitoring controls

52. User-entity monitoring controls (such as review of exception reports, reconciliations, performance reports and contract compliance reviews) provide information about whether the outputs produced by the service organisation remain consistent with expectations. These controls assist the user auditor in understanding the user entity's oversight of the service organisation and may reduce the risk of material misstatement arising from changes in the service organisation's processing.

However, these monitoring controls ordinarily do not provide direct evidence of the design or operating effectiveness of controls at the service organisation, and therefore do not eliminate the need for:

- a Type 2 report; or
 - audit procedures performed at the service organisation, where required under ASA 402 or ASA 330.
53. Where inherent risk is assessed as significant, reliance on monitoring controls alone is unlikely to provide sufficient appropriate audit evidence.
54. Monitoring controls may also provide additional evidence for portions of a period not covered by a Type 2 report (refer to "Time period covered by the type 2 report" section above), particularly where:
- the remaining period is short;
 - no significant changes or exceptions are identified; and
 - the monitoring controls operate with sufficient frequency and precision.

Using a Service Auditor's Report on Financial Information

55. In responding to the assessed risks of material misstatement, if sufficient appropriate audit evidence is not available from records held at the user entity, ASA 402 requires the user auditor to perform further audit procedures or use another auditor to perform those procedures at the service organisation.²⁸ Whilst the user auditor may be able to rely on a type 2 report as audit evidence of the operating effectiveness of controls to mitigate identified risks of material misstatement, a type 2 report alone cannot provide sufficient appropriate audit evidence with respect to material balances or classes of transactions of the user entity. ASA 330 requires the user auditor to design and perform substantive procedures for each material class of transactions, account balance and disclosure.
56. Service organisations which provide investment management services may provide the user entity with a single financial statement regarding financial information of the user entity ("Statement") periodically in accordance with either a general purpose framework or special purpose framework.²⁹ Examples of a Statement include: a portfolio valuation report, a financial report or a component of a financial report. The requirements of the applicable financial reporting framework determine the form and content of the Statement. An unaudited Statement is an unverified source of evidence, which is a representation not independent from the user entity. If the financial report of the user entity has been prepared using unaudited financial information obtained from the service organisation, such information may not

²⁸ See ASA 402, paragraph 15.

²⁹ See ASA 700 *Forming an Opinion and Reporting on a Financial Report* for the definition of general purpose framework and ASA 800 for the definition of special purpose framework.

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constitute sufficient appropriate audit evidence on which the user auditor could form an opinion.

57. The user auditor's procedures at the user entity with respect to the balances and transactions relating to the services provided by the service organisation are usually limited to:
- A review of the contract or service level agreement between the user entity and the service organisation so as to understand the rights and obligations of each party.
 - A review and evaluation of the monitoring controls exercised by the user entity over the service organisation.
 - A review of representations given by the service organisation concerning the user entity's balances or transactions.
 - Verification of the receipt of income from the service organisation (if not re-invested).
 - Analytical procedures on the financial information supplied by the service organisation.
 - A review of the most recent audited financial report of the service organisation.

These procedures alone, or even in combination with a type 1 or 2 report on controls over the relevant investment management services, may not generate sufficient appropriate audit evidence.

58. The user auditor exercises professional judgement to determine whether the results of procedures conducted at the user entity as described in paragraph 57 of this Guidance Statement, considered alone or in combination with a type 1 or 2 report, provide sufficient appropriate evidence on which to form an audit opinion. If the user auditor requires further audit evidence, which the user auditor believes to be held at the service organisation, the user auditor either:
- (a) obtains a service auditor's report on financial information; or
 - (b) gains access to the records and other information relating to the user entity in the possession of the service organisation.
59. Individual circumstances determine whether a service auditor's report on financial information is the more effective or efficient method of obtaining the audit evidence required by the user auditor. If the user auditor is able to specify whether the service auditor prepares a service auditor's report on specified assertions or on a Statement, the user auditor exercises professional judgement to make this determination in the particular circumstances of the engagement.
60. A service auditor's report on a Statement, as defined in paragraph 6(b)(ii) of this Guidance Statement, may be the most effective way to obtain sufficient appropriate audit evidence for all assertions regarding the user entity's balances or transactions contained in the Statement provided by the service organisation. This type of report may also be required by the user auditor if there is a potential or identified significant deficiency in the service organisation's controls, or there are material errors identified in the service organisation's reports.
61. The user auditor may be able to obtain sufficient appropriate audit evidence through substantive testing only for certain assertions relating to the user entity's balances or transactions contained in the Statement from information available from the user entity's records and from audit procedures performed thereon by the user auditor. For the remaining assertions, a service auditor's report on substantive testing for specified assertions for the user entity's financial statement line items, as defined in paragraph 6(b)(i) of this Guidance Statement, could provide the audit evidence required. This may include any of the assertions identified in ASA 315, which are:

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- (a) for classes of transactions and events for the period under audit: occurrence, completeness, accuracy, cut-off and classification;
- (b) for account balances at the period end: existence, rights and obligations, completeness, valuation and allocation; and
- (c) for presentation and disclosure: occurrence and rights and obligations, completeness, classification and understandability, and accuracy and valuation.

See also paragraph 12 on agreed-upon-procedures engagements, which are outside the scope of this guidance statement.

62. In evaluating the audit evidence provided by a service auditor's report on financial information, the user auditor considers:
- (a) the professional competence of the service auditor in the context of the assignment conducted;
 - (b) the sufficiency and appropriateness of the evidence, whether on its own or in conjunction with a type 1 or 2 report, provided by the service auditor's report on financial information regarding the assertions on which evidence is required;
 - (c) the impact of any modification to the service auditor's report on financial information on the sufficiency and appropriateness of the evidence provided by the report;
 - (d) the effect of any uncorrected misstatements reported by the service auditor in an attachment to their report, as described in paragraph 144 of this Guidance Statement; and
 - (e) the effect of any other matters, including significant deficiencies in internal control, significant findings from the audit, or fraud identified during the audit or reported by the service organisation to the user entity.

Materiality for Service Auditor's Reports on Financial Information

63. Paragraphs 139 to 140 of this Guidance Statement provide an appropriate basis for the service auditor to determine materiality for auditing specified assertions or a Statement. The user auditor, in determining performance materiality under Auditing Standard ASA 320³⁰ for the classes of transactions, account balances or disclosures affected by the services of the service organisation, may determine that the performance materiality level which would be determined by the service auditor in applying this Guidance Statement is not suitable for the purposes of the audit of the user entity's financial report. In these circumstances, the user auditor may request that an alternative benchmark and/or percentage is used by the service auditor to determine performance materiality. The manner in which such a request is ordinarily communicated is discussed in paragraphs 65 to 70 of this Guidance Statement.
64. The user auditor makes the user auditor's own assessment of the materiality of any uncorrected misstatements communicated by the service auditor in the attachment, if any, to the service auditor's report on financial information, as described in paragraph 144 of this Guidance Statement.

Communicating with the Service Auditor

65. ASA 402 requires the user auditor to obtain an understanding of the nature of the relationship between the user entity and the service organisation, including the relevant contractual terms

³⁰ See ASA 320 *Materiality in Planning and Performing an Audit*.

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for the activities undertaken by the service organisation. The contract or service level agreement may specify whether:³¹

- (a) a type 1 or 2 report on controls will be provided;
 - (b) the user auditor will have access to the accounting records of the user entity maintained by the service organisation and other information relevant to the audit; and
 - (c) the agreement allows for direct communication between the user auditor and service auditor.
66. If there is no direct relationship between the user auditor and the service auditor, communication is conducted through the user entity and service organisation. This is often the case when using a report on controls as there may be multiple user entities for which the report is provided. In considering the reliability of the information to be used as audit evidence,³² if a report on controls is provided indirectly through the user entity and service organisation, the user auditor remains alert to fraud risk factors in the context of establishing the report's authenticity.
67. The user auditor may engage the service auditor directly, subject to relevant ethical and confidentiality considerations, to provide a report on financial information of the user entity maintained by the service organisation.³³
68. The user auditor's engagement letter may provide for the user entity to obtain from the service organisation, where possible, a type 1 or 2 report, a service auditor's report on financial information or agreement to direct communication between the user auditor and the service auditor.
69. In order to consider the impact of any exceptions identified by the service auditor (and whether changes are required to the nature timing and extent of audit procedures), prior to the agreed date for issuing the audit report on the user entity's financial statements, the user auditor may set expected:
- timeframes in the engagement letter for receiving the type 1 or 2 report and/or a service auditor's report on financial information.; and
 - circumstances under which the service auditor should communicate with the user auditor, for example, the service auditor may become aware of significant exceptions or may experience delays in completing the assurance engagement.
70. The user entity should in turn agree these expectations with the service organisation.

Communicating With Those Charged With Governance of the User Entity

71. The user auditor is required under the Australian Auditing Standards to communicate any of the following matters identified to those charged with governance of the user entity on a timely basis:
- (a) significant deficiencies in internal control identified during the audit;³⁴
 - (b) significant findings from the audit;³⁵

³¹ See ASA 402, paragraphs 9(d) and A8.

³² See ASA 500 *Audit Evidence*.

³³ See ASA 402, paragraph A9.

³⁴ See ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*.

³⁵ See ASA 260 *Communication with Those Charged with Governance*.

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- (c) uncorrected misstatements and the effect they, individually or in aggregate, may have on the opinion in the auditor's report,³⁶ and
- (d) fraud, identified or suspected, involving management, employees who have significant roles in internal control or others where the fraud results in a material misstatement, as well as any other matters related to fraud that are relevant to their responsibilities.³⁷
72. In determining whether there are any matters which the user auditor needs to report to those charged with governance of the user entity, as outlined in paragraph 45 of this Guidance Statement, with respect to the investment management services provided by the service organisation, the user auditor's procedures may include:
- A review of documentation and correspondence at the user entity regarding oversight and monitoring of the performance of the contract and/or service level agreement by the service organisation.
 - Enquiries of those charged with governance, management or others within the user entity regarding whether any matters reported to those charged with governance of the service organisation, which may affect one or more user entities, have been reported by the service organisation to the user entity.
 - Identification of any deviations reported by the service auditor in the type 1 or 2 report and evaluation of whether those deviations represent significant deficiencies in the user entity's internal control.
 - Enquiries regarding the reasons for any modification to the service auditor's type 1 or 2 report or report on financial information.
 - Identification of any uncorrected misstatements reported by the service auditor, in an attachment to the service auditor's report on financial information as described in paragraph 144 of this Guidance Statement.
73. If a type 1 or 2 controls report is available, ASA 402 requires the user auditor to enquire of management of the user entity whether the service organisation has reported to the user entity, or the user entity is aware of, any fraud, non-compliance with laws and regulations or uncorrected misstatements affecting the financial report of the user entity. These matters of governance interest may be communicated to the user entity by the service organisation, otherwise the service auditor is required to take appropriate action, which may include communication of such matters directly to the user entity. The service auditor may become aware of such matters as a result of the written representations which it is required to obtain from the service organisation. In addition, a service organisation may be required under the contract or service level agreement with the user entity to disclose matters, including those listed in paragraph 71 of this Guidance Statement, that may affect the user entity. The user auditor evaluates the effect of any matters reported on the nature, timing and extent of further audit procedures.³⁸
74. Where the user auditor does not have sufficient information regarding the matters of governance interest to fulfil the user auditor's responsibility, as outlined in paragraph 71 of this Guidance Statement, the user auditor may request further information to be provided. Whilst this information may be provided by the service auditor, the request is ordinarily made through the user entity.

³⁶ See ASA 450 *Evaluation of Misstatements Identified during the Audit*.

³⁷ See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*.

³⁸ See ASA 402, paragraphs 19 and A41, and ASAE 3402, paragraphs 38 and 56.

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Reporting by the User Auditor

75. If the user auditor concludes that the user entity's financial report contains material misstatements with respect to the services provided by the service organisation or that the user auditor is unable to obtain sufficient appropriate audit evidence regarding the services provided by the service organisation relevant to the audit to form an opinion, Auditing Standard ASA 705 requires the user auditor to modify their opinion on the user entity's financial report.³⁹
76. In accordance with ASA 402,⁴⁰ when using a type 1 or 2 report on controls, and Auditing Standards ASA 600 and ASA 620,⁴¹ when using a service auditor's report on financial information, the user auditor does not refer to the work of a service auditor in the user auditor's report, unless required to do so by law or regulation or if it is relevant to understanding a modification to the user auditor's opinion.

B: GUIDANCE FOR THE SERVICE AUDITOR

Types of Engagements

77. Under a contract, offer document or service level agreement, the service organisation may agree to provide the user entity periodically with a type 1 or 2 report on controls, prepared in accordance with ASAE 3402, with respect to the services provided to the user entity and/or a Statement, with respect to the user entity's assets, liabilities or transactions recorded by the service organisation for the period, accompanied by a service auditor's report on the Statement or specified assertions, issued in accordance with ASA 805.

Engagements to Report on Controls

Nature and Scope of Engagement

78. Service auditor's engagements to report on controls are assurance engagements, which are defined under the *Framework for Assurance Engagements* as engagements in which the auditor expresses a conclusion or opinion about the outcome of the evaluation of a subject matter against criteria. The criteria for an engagement to report on a service organisation's controls, include control objectives.⁴² The control objectives collectively reflect the level of control over user entities' balances or transactions that the user entity could reasonably expect from the service organisation for the purpose of the user entity's financial reporting. The service organisation's controls are designed to meet those control objectives. Appendix 3 of this Guidance Statement sets out the control objectives which the user entity can expect to be included in type 1 or 2 reports for each of the relevant investment management services. The service organisation may choose to include additional control objectives in the type 1 or 2 report. Additional control objectives may be included where those objectives are relevant to user entities' financial reporting or to meet compliance reporting requirements or the terms of the service level agreement, offer document or contract.
79. The service organisation may also include information that is not relevant to user entities' financial reporting and is therefore outside the scope of the service auditor's report. The service auditor recommends that such information be placed in a separately distinguishable section within the type 1 or 2 report, which is titled 'Other information provided by the service organisation', or a similar appropriate title. It may also be appropriate to clearly label the information as 'unaudited'. Refer to paragraphs [121] for examples of other information and the service auditor's work effort on such information.

³⁹ See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* and ASA 402, paragraph 20.

⁴⁰ See ASA 402, paragraphs 21 and 22.

⁴¹ See ASA 600 *Special Considerations—Audits of a Group Financial report (Including the Work of Component Auditors)* and ASA 620 *Using the Work of an Auditor's Expert*.

⁴² See ASAE 3402, paragraph 16.

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Acceptance and Continuance of Engagements to Report on Controls

80. When agreeing to accept, or continue, an engagement to report on controls at a service organisation, ASAE 3402⁴³ requires the service auditor to assess whether the criteria will be suitable and available to user entities and their auditors. In doing so, the service auditor determines whether the criteria include the control objectives provided in this Guidance Statement for the relevant investment management services and, if any objectives are omitted or amended, whether the service organisation has adequately disclosed and justified that omission or amendment.
81. An example of an engagement letter for engagements to report on controls is provided in Appendix 1 Example 1.

Ethical Requirements

82. ASAE 3402 requires the service auditor to comply with relevant ethical requirements including those pertaining to independence, relating to assurance engagements, which does not necessitate the service auditor being independent from each user entity.⁴⁴
83. However, threats to independence may arise with respect to user entities where there are only one or few user entities for the services subject to audit. Threats to independence may also arise with respect to subservice organisations where the controls of the subservice organisation are included in the service organisation's description of its system, under the inclusive method.⁴⁵
84. Service auditors may also need to consider the manner in which their type 1 or 2 report is used and distributed by the service organisation. Examples of how this matter may be addressed in the engagement letter and in the service auditor's type 2 report are contained in Appendix 1 Example 1 and Appendix 4 respectively.

58. Responsibilities of the Service Organisation

85. The service organisation typically prepares a description of its system to meet the needs of all user entities of a particular investment management service or services. A type 1 or 2 report on the controls at a service organisation covers investment management services provided to user entities which are likely to form part of those user entities' information systems relevant to financial reporting.
86. An example of a service organisation's assertion and description of its system is shown in Appendix 2 of this Guidance Statement. The description of each investment management service provided in this Guidance Statement is indicative and not definitive.

Assessing the Suitability of the Criteria

87. In assessing whether the service organisation has used suitable criteria in preparing the description of the system, evaluating whether controls are suitably designed and, in the case of type 2 reports, in evaluating whether controls are operating effectively, in accordance with ASAE 3402,⁴⁶ the service auditor determines whether the minimum control objectives provided in this Guidance Statement⁴⁷ for the relevant investment management service or services are included in the description of the system.
88. It is the responsibility of the service organisation to ensure that the control objectives are sufficient to meet the expectations of user entities and that any omissions or amendments to

⁴³ See ASAE 3402, paragraphs 13-14 for requirements in accepting and continuing an engagement to report on controls at a service organisation.

⁴⁴ See ASAE 3402, paragraph 11.

See ASAE 3402, paragraph 9(g).

⁴⁶ See ASAE 3402, paragraphs 15-18 for further requirements in assessing the suitability of the criteria.

⁴⁷ See Appendix 3 of this Guidance Statement.

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the minimum control objectives are appropriate. A service organisation may therefore consider the need to add further objectives and supporting controls where appropriate. The service auditor evaluates the suitability of any additional control objectives specified by the service organisation, by determining if they meet the characteristics of relevance, completeness, reliability, neutrality and understandability.⁴⁸

89. If the service organisation omits or amends a control objective from GS 007 or adds further control objectives, the service auditor can expect those omissions, amendments or additional objectives to be clearly identified in the service organisation's description of the system. If a control objective is omitted, the service organisation may list that objective and note briefly the reasons for its omission. If a control objective is amended to clarify the intended meaning, such as use of terms appropriate to the service organisation's circumstances, or the control objective is expanded, the relevant GS 007 control objective may be treated as included. However, if the meaning of the control objective is changed or the scope of the objective reduced by the modifications, then it is appropriate for the service organisation to report the relevant GS 007 objective as omitted and report the modified objective as an additional objective in the description of the system.

Obtaining an understanding of the service organisation's system, and evaluating the design and implementation of controls

90. ASAE 3402⁴⁹ requires the service auditor to obtain an understanding of the service organisation's system, including controls (manual and automated) that are included in the scope of the engagement. Procedures to gain this understanding may include:
- Discussing aspects of the control framework and relevant control activities with management and other personnel of the service organisation;
 - Determining who the user entities are and how the services provided by the service organisation are likely to affect the user entities, for example, the predominant type of user entities; and
 - Reviewing standard terms of contracts with user entities to gain an understanding of the service organisation's contractual obligations.
91. This understanding includes the service auditor's identification of IT applications and aspects of the IT environment that are subject to risks arising from the use of IT. The service auditor also identifies the general IT controls that address the risks arising from the use of IT.
92. General IT controls can be described as controls over the entity's IT processes that support the continued proper operation of the IT environment, including the continued effective functioning of information processing controls (over IT applications/programmes) and the integrity of information in the information system.
93. Service organisations may use emerging technologies (e.g., blockchain, robotics or artificial intelligence) because such technologies may present specific opportunities to increase operational efficiencies or enhance financial reporting. When emerging technologies are used in the service organisation's information system relevant to financial reporting, the service auditor may include such technologies in the identification of IT applications and other aspects of the IT environment that are subject to risks arising from the use of IT.
94. The service auditor evaluates whether control activities (including general IT controls) are suitably designed and implemented, by:

⁴⁸ See ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, on assessing the suitability of criteria.

⁴⁹ See ASAE 3402, paragraph 20.

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- Considering the linkage between the control activities and the associated control objectives;
- Considering the ability of the control activities to prevent or detect errors related to the control objectives;
- Performing walk-throughs of selected transactions and the impact of Control Activities; and
- Performing further procedures, using a combination of the following:
 - Enquiry of appropriate service organisation personnel;
 - Inspection of documents and reports;
 - Observation of the application of specific control activities, to determine whether they are suitably designed to achieve the specified control objectives and if they are operated as prescribed, by appropriately qualified or experienced persons; and
 - Re-performance of a reconciliation or calculation.

Subservice organisations

95. Paragraph 26 of this Guidance Statement describes that service organisations often outsource activities to specialist organisations and when such organisations are regarded as subservice organisations. When subservice organisations are applicable, the service auditor obtains an understanding of the outsourced activities and related controls. Sources of information to inform the service auditor's understanding may include:
- a type 2 report of the subservice organisation's control activities;
 - publicly available information from third parties such as complaints from other users, exceptions reported by regulators as applicable; and
 - information produced by the subservice organisation, taking into account the reliability of such information (for example, exception reports from the subservice organisation's internal auditors).
96. The service auditor further obtains an understanding of the service organisation's monitoring controls over specialist organisations regarded as subservice organisations (i.e., ongoing monitoring activities, separate evaluations, or a combination thereof).

Obtaining evidence regarding the service organisation's description

97. To determine the fair presentation of those aspects of the description that are within the scope of the engagement, the service auditor compares their understanding of the service organisation's services provided to user entities with management or those charged with governance's assertions. Fairly described control activities are factual, objective, specific and verifiable, and do not omit or distort significant information that may affect the user entities' and auditors' assessments of control risk.
98. Fairly described control activities include a complete set of associated control objectives that are developed based on the objectives in Appendix 3 of this Guidance Statement, for the relevant investment management services provided by the service organisation. If any objectives have been omitted or amended, the service auditor evaluates the adequacy of the reasons for their omission or amendment (also see paragraphs 80 of this Guidance Statement).
99. If there are any inappropriate or unexplained omissions or material modifications with regard to the control objectives, the service auditor requests management, or those charged with

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governance, to amend the description. If it is not amended, the service auditor considers the implications on the service auditor's assurance report.

*Subservice organisations*⁵⁰

100. The service auditor also determines the adequacy of the description of the services performed by subservice organisations. I.e., whether the description identifies controls at the service organisation and the subservice organisation individually (for the inclusive method); and/or the functions that are performed by the subservice organisation (for the carve-out method). When the carve-out method has been applied, the service auditor understands the reasons for applying the method and the adequacy of the reasons.

Conducting the Assurance Engagement to Report on Controls

101. The service auditor complies with the requirements of ASAE 3402 when conducting an assurance engagement to report on controls at the service organisation when:⁵¹
- (a) obtaining evidence regarding the operating effectiveness of controls;
 - (b) considering the work of an internal audit function;
 - (c) obtaining written representations from the service organisation;
 - (d) considering other information;
 - (e) enquiring and, if necessary, disclosing subsequent events; and
 - (f) preparing and assembling documentation.

Obtaining evidence of the operating effectiveness of controls

102. The service auditor performs tests of controls (manual and automated) to obtain evidence about the operating effectiveness of relevant control activities during a specified reporting period. Operating effectiveness is concerned with how a control activity is applied, the consistency with which it is applied, and by whom it is applied. The service auditor determines the nature, timing and extent of the tests to be performed to form their opinion on the operating effectiveness of the control activities.

Nature

103. Tests of controls include enquiry of the appropriate personnel and a combination of observation of the application of the control activities, inspection of relevant documentation and/or re-performance of the control activity.

Timing

104. These tests provide evidence that enables the service auditor to report on the entire period covered by the type 2 report. The Service Auditor is required to use evidence relating to the reporting period only⁵². Each control activity is assessed for operating effectiveness for the specified reporting period or for the period covered by the type 2 report.
105. Certain control activities pertaining to the reporting period may not have evidence of their operation at year-end. Where such control activities operate at a later date, the service auditor tests the operating effectiveness at that later date before finalising the audit because the control activities pertain to the reporting period. For example, tax controls that operate after year-end,

⁵⁰ If subservice organisations are applicable, the service auditor of a service organisation that uses the services of the subservice organisation is also a user auditor.

⁵¹ See ASAE 3402, paragraphs 24-52.

⁵² See ASAE 3402 paragraph 24

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and user access recertification controls that is triggered at a point in time and is ongoing through the year and finalised after year-end.

Extent

106. When testing a sample, the service auditor applies their own sampling formula established in accordance with prevailing audit and assurance standards. In determining the number of items to be tested for each control activity, the service auditor considers a combination of the following attributes:

- Frequency of operation (e.g., daily, weekly);
- Nature of operation (e.g., manual, automated);
- The risk that the control activity seeks to mitigate;
- Complexity of control activity (e.g., number of people involved, number of steps to be performed);
- Level of judgement within operation (e.g., approval of estimates without tolerance settings);
- Likelihood of error (e.g., previous years' exceptions and modified opinions); and
- Degree of centralisation of operation (e.g., harmonised procedure manuals, centralised training, centralised governance).

107. The table below is an example to assist service organisations, user entities and user auditors to understand the minimum number of items the service auditor may test for manual controls with a 'low' risk of not achieving the control objective, based on a 12-month reporting period. The service auditor may choose to vary sample sizes for longer or shorter reporting periods. Sample sizes increase the higher the service auditor's assessment of the risk. The service auditor's assessment is affected by the attributes listed in paragraph 99 of this Guidance Statement. The increase may also vary based on each audit firm's formula for calculating sample sizes.

Frequency of manual controls	Assumed population of control occurrences	Illustrative (minimum) sample sizes based on risks assessed as 'low'
Annual	1	1
Quarterly	4	2
Monthly	12	2
Weekly	52	5
Daily	250	20
Multiple times per day	Over 250	25
Ad-hoc (e.g. when a certain type of transaction or activity occurs)	Various	Depends on population size and service auditor's professional judgement

108. The service auditor describes the nature, timing and extent of the tests performed (including relevance and reliability tests described in paragraphs 102 to 106) in an appendix to the service auditor's report. See appendix 5 for further details on the service auditor's description.

109. In describing the extent of testing, the service auditor indicates the frequency of the control and whether the items tested represent a sample or all the items in the population. To enhance the transparency of the extent of work performed, the service auditor may either describe the number of items (or the percentage of the population) tested, or include a table of (minimum) sample sizes.

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110. Where exceptions are reported, the service auditor provides information about the sample or population size, the number of exceptions, and an analysis of their cause to describe the results of the tests performed and indicate the significance or impact of the exceptions (i.e., whether or how they diminish the operating effectiveness of the control activity in achieving the stated control objective). The service auditor may also describe the mitigating controls and other factors considered in concluding whether the opinion should be modified or not. If an exception is identified for a control activity that supports more than one control objective, the exception is reported against each control objective.
111. It is common practice for management to provide responses to the exceptions identified by the service auditor. These responses are included in the Type 2 report because they provide context around the exception and explain any mitigation strategies or remediation steps that management performed. If the responses are unaudited, service auditor makes that clear and excludes such information from the scope of the assurance opinion.
112. In addition to the work effort on Other Information described in paragraph 121 of this Guidance Statement, the service auditor considers whether unaudited management's responses could potentially diminish the importance / significance of the exceptions.
113. Where the service auditor is unable to test a described control activity because, for example, it was not required to operate during the year, they state the fact that no tests have been carried out and the reason in their description of tests.

Relevance and reliability of information to be used as audit evidence

114. Where control activities to be tested depend upon the completeness and accuracy of information produced by the service organisation, the service auditor determines whether it is necessary to obtain evidence supporting the operating effectiveness of controls over the production of that information.
115. This may arise where a manual control activity relies upon the completeness and accuracy of information included in a system-generated report. For example, 'management reviews a system report to identify any client agreement breaches'; in this example the operating effectiveness of the control activity is dependent on the operating effectiveness of the automated controls relating to completeness and accuracy of the information within that report.
116. An automated control can be expected to function consistently unless the IT application (including the tables, files, or other permanent data used by the IT application) is changed. Once the service auditor determined that an automated control is functioning as intended (which could be done at the time the control is initially implemented or at some other date), they perform tests to determine that the control continues to function effectively. Such tests may include testing the general IT controls⁵³ related to the IT application (including change controls).
117. When using information produced by the service organisation, the service auditor evaluates whether the information is sufficiently reliable for their purposes, including, as necessary:
- Obtaining evidence about the completeness and accuracy of the information;
 - Testing the controls in place that support the completeness and accuracy of the information; and/or
 - Evaluating whether the information is sufficiently precise and detailed for the service auditor's purposes.

⁵³ See section G in Appendix 3 of this Guidance Statement, related to general IT control objectives.

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Subservice organisations when carve-out method is applicable

118. The service organisation's system description includes monitoring controls over the operating effectiveness of controls at the subservice organisation. The service auditor undertakes a review of one or more of the following monitoring controls for adequacy as part of the type 2 assurance engagement:
- reviewing contractual terms, established service standards (or service level agreements), or holding periodic service level meetings with the subservice organisation;
 - reviewing and reconciling output reports (e.g., daily reconciliation exception reports, monthly Net Asset Valuation reports and daily back-up completion reports);
 - making regular site visits to the subservice organisation;
 - testing control activities at the subservice organisation by the service organisation's internal audit function;
 - reviewing reports on the subservice organisation's systems, if available, prepared in accordance with recognised standards (such as those produced by the AUASB, NZAuASB, IAASB); and
 - monitoring external communications, such as user entity complaints relevant to services provide by the subservice organisation.
119. The relative importance of each monitoring control to a particular engagement and whether one or more controls should be tested for adequacy is a matter of professional judgement based on the service auditor's understanding obtained in paragraphs 118 of this Guidance Statement.

Time period covered by the type 2 report

120. The user auditor guidance on the 'time period covered by a type 2 report' may equally apply to the service auditor if the service auditor relies on such a report to obtain evidence of the operating effectiveness of controls at a subservice organisation. See paragraphs 36 to 45 of this Guidance Statement.

Other Information

121. As described in paragraph 73 of this Guidance Statement, the service organisation may wish to present other information that is outside the scope of the engagement. Examples of such information include:
- Background information on the entities within the service organisation's group, the services they provide and their regulatory permissions.
 - Additional detail on the IT system architecture and data flows not included in the Description.
 - Additional information on compliance with regulatory standards over specific aspects of the business which is not directly relevant to the control activities covered by the type 1 or 2 report, but which is of interest to the user entities (e.g., regulations covering anti-money laundering, client money and data protection).
 - Additional information on measures undertaken to protect the organisation against viruses or other malicious attacks that go beyond the scope of the Description.
 - HR policies and processes.

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- An outline of any planned changes to processes or IT.
 - An outline of the insurance arrangements of the service organisation.
122. The service auditor reads such information for consistency with the Description, and the service auditor's knowledge obtained in the engagement, in the context of audit evidence obtained and conclusions reached.

The Service Auditor's Assurance Report⁵⁴

123. The service auditor's opinion is expressed in a written assurance report on controls attached to the service organisation's description of its system and assertion.
124. The service auditor's type 1 or 2 report, includes the basic elements required by ASAE 3402 with specific consideration of matters relevant to investment management services, including:
- (a) A statement that the criteria include the minimum control objectives provided in this Guidance Statement for the relevant investment management services;
 - (b) Reference that the 'Other information provided by the service organisation' section of the type 1 or 2 report do not fall within the scope of the engagement.
 - (c) A statement that the service organisation is responsible for:
 - (i) Providing the investment management services covered by the service organisation's description of its system; and
 - (ii) Stating the control objectives, including those for the relevant investment management services from this Guidance Statement, and if any minimum control objectives are omitted or amended, providing an explanation of that omission or amendment.
 - (d) A section on 'Other information', which describes the service organisation's and the service auditor's responsibilities for such information and that the information is unaudited.
 - (e) Reference to an attachment that describes the nature, timing and extent of the service auditor's tests of controls and the results thereof.

An example of a service auditor's type 2 assurance report is shown at Appendix 4. An explanation and example of the service auditor's description of the nature, timing and extent of tests applied to controls is provided in Appendix 6.

Reporting on Description misstatements, design deficiencies or when control activities are not operating effectively

125. When preparing the assurance report, the service auditor is required to modify their opinion in the circumstances set out in ASAE 3402.
126. If exceptions and limitations have been identified the service auditor determines the appropriate form of opinion as illustrated below. See appendix 5 for information on each opinion.

Unqualified	Qualified	Adverse	Disclaimer
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⁵⁴ See ASAE 3402, paragraphs 53-56.

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No exceptions	Not material exceptions	Non-applicable control objective	Material exceptions	Material and pervasive exceptions	Possible effects of an inability to obtain sufficient appropriate audit evidence are considered material and pervasive
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Other Communication Responsibilities

127. ASAE 3402 requires the service auditor to determine whether non-compliance with laws and regulations, fraud, or uncorrected errors which are not clearly trivial, have been communicated to affected user entities and, if not, to take appropriate action.

Engagements to Report on Financial Information

Nature of Engagements

128. If the service auditor is engaged to provide a report on financial information, the service auditor issues a separate auditor's report in respect of each user entity concerning only that user entity's balances and/or transactions.
129. In performing an engagement to report on specified assertions or on a Statement the service auditor applies the Australian Auditing Standards and reports on the engagement under ASA 805.
130. If the service auditor has provided assurance on controls in a type 2 report, it provides assurance as to the reliability of controls over the investment management services which relate to the user entity's balances and/or transactions. Accordingly, the service auditor may be able to reduce the extent of substantive testing that might otherwise be necessary in preparing a service auditor's report on financial information.

Acceptance and Continuance of Audit Engagements to Report on Financial Information

131. Before accepting the engagement, the service auditor is required under Auditing Standard ASA 210⁵⁵ to determine the acceptability of the financial reporting framework, which in the case of a single financial statement or element, includes determining whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed and the effect of material transactions and events on the information conveyed.⁵⁶
132. The service auditor also complies with ASA 210 in agreeing the terms of engagement. In addition to the matters specified in ASA 210, the engagement letter or other written agreement between the service auditor and the engaging party may include:
- The service auditor's responsibility to conduct the engagement with reference to this Guidance Statement.
 - The service auditor's responsibility to report, in an attachment to the service auditor's report, uncorrected misstatements which have been aggregated during the audit, other than amounts which are clearly trivial.
 - Reference to the performance materiality level provided by the user auditor, if applicable.

⁵⁵ See ASA 210 *Agreeing the Terms of Audit Engagements*.

⁵⁶ See ASA 805.

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Example engagement letters for engagements to report on specified assertions and on a Statement are included in Appendix 1, Examples 2 and 3 respectively.

133. The service auditor may be engaged by the service organisation or directly by the user entity or user auditor. If the user entity or user auditor engages the service auditor directly, access to the service organisation's records will need to be agreed with the service organisation. Access to the service organisation's records may be allowed for in the service level agreement with the user entity or by separate agreement. The agreement may provide for the service organisation to receive a copy of the auditor's report and notification of any matters of governance interest communicated as described in paragraph 143 of this Guidance Statement.

Ethical Requirements

134. In accordance with Auditing Standard ASA 200,⁵⁷ the service auditor is required to comply with relevant ethical requirements, including those pertaining to independence, when performing an audit of a Statement or specified assertions.
135. Relevant ethical requirements, defined in Auditing Standard ASA 102, include the fundamental principles of professional ethics, relating to the engagement to be undertaken, which are:
- (a) integrity;
 - (b) objectivity;
 - (c) professional competence and due care;
 - (d) confidentiality; and
 - (e) professional behaviour.
136. Where the service auditor is undertaking an audit of a Statement or specified assertion particular consideration needs to be given to any threats to independence with respect to the user entity since the service auditor is reporting on financial information of the user entity. Threats to independence with respect to the user entity may be present, such as self-interest or familiarity threats, notwithstanding that the user entity may not be an assurance client of the service auditor.
137. In evaluating threats to independence and considering applicable safeguards, the service auditor considers the nature of the engagement. It may be sufficient, for example in the case of a restricted use report, to apply independence requirements in evaluating the independence of the engagement team members and their immediate and close family with respect to the user entity, along with limited consideration of the firm's interests and relationships with the user entity.
138. Examples of safeguards that may be considered appropriate by service auditors to manage identified threats to independence include:
- Prohibiting the holding of direct, or material indirect, financial interests in the user entity or its affiliates by members of the service auditor's engagement team and their immediate and close family.
 - Removal from the service auditor's engagement team of any personnel with a close relationship with directors, officers or employees of the user entity or its affiliates.

⁵⁷ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

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Materiality to be Applied by the Service Auditor

139. When conducting an audit of specified assertions or a Statement, the service auditor considers materiality under ASA 320 in determining the nature, timing and extent of audit procedures and evaluating the effect of misstatements. The relevant benchmark, for investment management services, on which the service auditor bases materiality, under ASA 320, in most cases is either:
- (a) the assets of the user entity for which specific assertions are being audited;
 - (b) total assets of the user entity reported in the Statement; or
 - (c) net assets, where assets and liabilities are reported, of the user entity reported in the Statement.
140. The service auditor often applies a percentage to the benchmark as a starting point in determining materiality under ASA 320. The user auditor may request that a particular benchmark or percentage be used by the service auditor as a basis for determining performance materiality. In the absence of a basis for materiality specified by the user auditor, the service auditor may apply a percentage of 0.5% to any of the benchmarks listed in paragraph 139 of this Guidance Statement as a reasonable basis for determining performance materiality for auditing specified assertions or a Statement, where investment management services are provided. Where an alternative benchmark is used, this percentage may not be appropriate for determining materiality.

The Service Auditor's Report on Financial Information

141. Service auditor's reports on specified assertions or on a Statement, need to comply with the requirements in ASA 805 and as such include the basic elements of an auditor's report as set out in that standard. In addition to these elements, the service auditor includes in their report:
- (a) identification of the specific assertions audited (if the report is limited to specific assertions);
 - (b) identification of the investment management services provided by the service organisation to the user entity;
 - (c) a description of the responsible party's (management, or those charged with governance, of the service organisation) responsibilities for the investment management services provided to the user entity; and
 - (d) reference to the use of the report by the user entity and the user auditor.

Examples of a service auditor's report on specified assertions is provided in Appendix 6 Example 1 and a service auditor's report on a Statement is provided in Appendix 6 Example 2 of this Guidance Statement.

Information Excluded from the Service Auditor's Report

142. When performing an audit engagement at a service organisation, the service auditor may restrict the audit procedures to information that is held by the service organisation on behalf of the user entity. The Statement, however, may include information which is provided by the user entity or by another party to the service organisation for inclusion in the Statement. Documentation or other audit evidence may not be available at the service organisation to substantiate that information. Where certain information within the Statement has not been audited, the service auditor identifies that information and specifically excludes it from the scope of the audit opinion.

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Reporting of Matters of Governance Interest Arising in an Audit Engagement on Financial Information

143. In the course of performing procedures for an audit engagement at a service organisation on financial information of the user entity, the service auditor is required to communicate any of the following matters identified to those charged with governance of the engaging party on a timely basis:
- (a) significant deficiencies in internal control;⁵⁸
 - (b) significant findings from the audit;⁵⁹
 - (c) uncorrected misstatements and the effect they, individually or in aggregate, may have on the opinion in the audit report of the service auditor;⁶⁰ and
 - (d) fraud, identified or suspected involving management, employees who have significant roles in internal control or others where the fraud results in a material misstatement, as well as any other matters related to fraud that are relevant to their responsibilities.⁶¹
144. In addition, the service auditor states in their report whether they have identified any uncorrected misstatements in the course of the audit, other than amounts which are clearly trivial, and, if so, details the uncorrected misstatements in an attachment to their report. An outline for an attachment on uncorrected misstatements is shown in Appendix 6, Examples 1 and 2.
145. When the service auditor is engaged by the service organisation and considers that any of the matters reported to those charged with governance of the service organisation may affect one or more user entities, the service auditor determines from the appropriate level of management whether this information has been communicated to the affected user entities. If the matter is not communicated satisfactorily, the service auditor may consider whether it affects the service auditor's ability to conduct the engagement or necessitates a modification to the service auditor's report.

⁵⁸ See ASA 265.

⁵⁹ See ASA 260.

⁶⁰ See ASA 450.

⁶¹ See ASA 240.

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Appendix 1

(Ref: Para. 54 and 77)

EXAMPLE ENGAGEMENT LETTERS

The following example engagement letters are not authoritative and are intended only to be a guide that may be used in conjunction with the considerations outlined in GS 007. The engagement letters will need to be varied according to individual requirements and circumstances. They are drafted to refer to an engagement for a single reporting period and would require adaptation if intended or expected to apply to recurring engagements.⁶² It may be appropriate to seek legal advice that any proposed engagement letter is suitable.

Example 1: A service auditor's engagement letter to a service organisation for provision of assurance over a type 2 report on the description, design and operating effectiveness of a service organisation's controls.

Example 2: A service auditor's engagement letter to the engaging party for audit of specified assertions of the user entity's assets, liabilities or transactions in a financial statement prepared by a service organisation.

Example 3: A service auditor's engagement letter to the engaging party for an audit of a financial statement of a user entity's assets, liabilities or transactions prepared by a service organisation.

Example 1: Engagement Letter for a Type 2 Report on a Service Organisation's Controls

To [the appropriate representative of management or those charged with governance] of XYZ Service Organisation (XYZ):

[The objective and scope of the engagement]

You have requested that we report on the description of XYZ's [investment management service/s provided: custody, asset management, property management, superannuation member administration, investment administration or registry] system and management's assertion with respect to that description, which you will provide and which will accompany our report. The description of XYZ's [investment management service] system comprises control objectives and related controls designed to achieve those objectives for the [period] ended [date]. The control objectives included are the objectives for [investment management service] specified in Guidance Statement GS 007⁶³ and any additional objectives which are likely to be relevant to internal control as it relates to financial reporting of clients who have used the [investment management service] system.

We are pleased to confirm our acceptance and understanding of this assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of our expressing an opinion on the fair presentation of the [investment management service] system, suitability of the design of the controls to achieve the control objectives throughout the period and the operating effectiveness of the controls necessary to provide reasonable assurance that the control objectives were achieved throughout the period.

[The responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation* and with reference to Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*. ASAE 3402 requires that we comply with ethical requirements and plan and perform

⁶² See ASA 210.

⁶³ See Appendix 3 of this Guidance Statement.

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procedures to obtain reasonable assurance about whether, in all material respects, XYZ's description of the [investment management service] system is fairly presented, the controls are suitably designed, and operating effectively throughout the reporting period. An assurance engagement involves performing procedures to obtain evidence about the description, design and operating effectiveness of controls. The procedures selected depend on the assurance practitioner's judgement, including the assessment of the risks of significant deficiencies in the [investment management service] system.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any internal control system there is an unavoidable risk that some significant deficiencies may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

The system, within which the controls that we will test operate, will not be examined except to the extent the system is likely to be relevant to clients, as it relates to financial reporting. Hence no opinion will be expressed as to the effectiveness of the internal control system as a whole.

The work undertaken by us to form an opinion, is permeated by judgement, in particular regarding the nature, timing and extent of assurance procedures for gathering evidence and the drawing of conclusions based on the evidence gathered. In addition to the inherent limitations in any assurance engagement, which include the use of testing, inherent limitations of any internal control structure, and the possibility of collusion, most evidence is persuasive rather than conclusive. As a result, an assurance engagement can only provide reasonable – not absolute – assurance that the description is fairly presented, controls are suitably designed and controls have operated effectively throughout the period.

[The responsibilities of management and identification of the applicable control framework]

Our assurance engagement will be conducted on the basis that [management or, where appropriate, those charged with governance] acknowledge and understand that they have responsibility:

- (a) for the preparation of a written assertion that, in all material respects, and based on suitable criteria:
 - (i) the description fairly presents XYZ's [investment management service] system designed and implemented throughout the period;
 - (ii) the controls related to the control objectives stated in XYZ's description of its system were suitably designed throughout the specified period; and
 - (iii) the controls related to the control objectives stated in XYZ's description of its system operated effectively throughout the specified period.
- (b) for design of the system, comprising controls which will achieve control objectives which are likely to be relevant to clients', who have used the [investment management service] system, internal control as it relates to financial reporting;
- (c) to provide us with:
 - (i) Access to all information of which those charged with governance and management are aware that is relevant to the design, implementation and operation of the [investment management service] system;
 - (ii) Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

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As part of our assurance process, we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to us in connection with the engagement.

XYZ's description of the system will include the minimum control objectives for [investment management service] set out in GS 007, but they may add to or amend these to the extent necessary such that the control objectives are likely to be relevant to internal control as it relates to financial reporting of clients, who have used the [investment management service] system. If [management/those charged with governance] consider any of the control objectives from GS 007 for [investment management service] are not applicable to XYZ or require amendment, then they will include an explanation of the omission of or amendment to that objective in XYZ's description of the system.

[Assurance Approach]

We will examine and evaluate the control objectives and controls for the [investment management service] system described above. The "Description of the [investment management service] System" will include details of controls with which clients should comply. While our evaluation will include assessment of the appropriateness of the complementary client controls, our testing will not encompass evaluation of the suitability of design or operating effectiveness of controls carried out by users of XYZ's [investment management service] system. The control objectives stated in XYZ's description of its system can be achieved only if complementary user entity controls are suitably designed or operating effectively, along with the controls at the service organisation.

Our procedures will extend to the control objectives and related controls at relevant subservice organisations only to the extent that those controls are included in XYZ's description of the [investment management service] system and are necessary to achieve the relevant control objectives.

Due to the complex nature of internal control, our assurance procedures will not encompass all individual controls at XYZ, but will be restricted to an examination of those controls reported which achieve the control objectives identified by XYZ's management in the "Description of the [investment management service] System" provided to us.

[Assurance Procedures]

Our assurance procedures are likely to include:

1. Performing a preliminary review of the control environment of XYZ relevant to the [investment management service] system.
2. Evaluating the reasonableness of the control objectives, including assessing how they address the minimum control objectives for [investment management service] provided in GS 007.
3. Evaluating the completeness, accuracy and presentation of the "Description of the [investment management service] System" against the controls implemented.
4. Evaluating the design of specific controls by:
 - Assessing the risks that threaten the achievement of the control objectives.
 - Evaluating whether the controls described are capable of addressing those risks and achieving the related objectives.
5. Performing tests of controls to ascertain whether the degree of compliance with controls is sufficient to provide reasonable assurance that the controls have achieved their objectives throughout the period.

In undertaking this engagement, we shall work closely with XYZ's internal audit function and place reliance on their work in accordance with Auditing Standard ASA 610 *Using the Work of Internal*

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Auditors [this paragraph is applicable where the work of internal audit is an integral part of the assurance engagement].

[Assurance Report]

The format of the report will be in accordance with ASAE 3402 and will include an opinion on the “Description of the [investment management service] System” by XYZ management and an accompanying description of the tests of controls that we performed and the results of those tests. An example of the proposed report is contained in the appendix to this letter.

Our report will be issued [frequency] and will cover [period reported on] (paragraph is appropriate for recurring engagements).

The assurance report will be incorporated in a report issued by XYZ containing information prepared by XYZ management to provide clients and their auditors with an overall understanding of [subject matter]. We will review the contents of the report issued by XYZ to identify any material inconsistencies with the “Description of the [investment management service] System”.

[Distribution of the Assurance Report]

Our report and the accompanying description of tests of controls are intended only for clients of XYZ that use the [investment management service] system and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by clients themselves, when assessing the risks of material misstatements of clients’ financial reports.

Our assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than to XYZ’s clients and their auditors or for any purpose other than that for which it was prepared.⁶⁴

[Significant Deficiencies in Controls]

We will issue an assurance report without modification, to provide reasonable assurance on the [investment management service] system where our procedures do not disclose a significant deficiency in the controls necessary to achieve the control objectives contained in the “Description of the [investment management service] System” by XYZ management. For this purpose, a significant deficiency exists when prescribed control procedures, or the degree of compliance with them:

- (a) does not provide XYZ management with reasonable assurance that the control objectives will be met or that fraud, error, or non-compliance with laws and regulations would be prevented or detected by employees in the normal course of their assigned functions; and
- (b) knowledge of that deficiency would be material to users of the assurance report.

If our assurance engagement discloses that there are significant deficiencies in the system of controls in operation during the period covered by the report, such deficiencies will be disclosed in our report even if they were corrected prior to the end of the reporting period. However, our report will indicate that such deficiencies were corrected if that is the case. If any significant deficiencies disclosed in our report have been corrected subsequent to this period (or are in the process of being corrected), we will refer to this in our report.

Although the primary purpose of our assurance engagement will be to enable us to issue the above described report, we will also periodically provide you with letters containing recommendations for strengthening controls if such matters are observed during the process of the assurance engagement.

⁶⁴ Use of the report and liability limitation: insert additional wording, if any, required to reflect any liability arrangements agreed between the service auditor, the service organisation and other users, including confirmation of the purpose for which the service auditor’s report has been prepared and the basis on which other parties may use the report.

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Although issues raised may not represent significant deficiencies in the system of controls, recommendations will address areas where we believe controls could be improved.

We look forward to full co-operation from your staff during our assurance engagement.

[Other relevant information]

[Insert additional information such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on the controls over XYZ's [investment management service] services to clients, including our respective responsibilities.

Yours faithfully

(signed)

.....

Name and Title

Date

Acknowledged on behalf of XYZ

(signed)

.....

Name and Title

Date

Example 2: Engagement Letter for an Audit of Specified Assertions

To [the engaging party]:⁶⁵

[The objective and scope of the audit]

You⁶⁶ have requested that we audit the [specified assertions]⁶⁷ of the assets [and liabilities or transactions] in the [title of the financial statement] of [user entity/entities] ("the Statement"), which comprises the [statement of assets and liabilities] as at [date], and the [statement of transactions] for the [period] then ended, concerning the assets and liabilities of [user entity / entities]⁶⁸ [nature of investment management service: managed by or in the custody] of the XYZ Service Organisation (XYZ) as at [date].

⁶⁵ The addressees and references in the letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons – see ASA 210.

⁶⁶ Throughout this letter, references to "you," "we," "us," "management," "those charged with governance" and "auditor" would be used or amended as appropriate in the circumstances.

⁶⁷ Insert specified assertions to be audited:

- for transactions or events: occurrence, completeness, accuracy, cut-off and classification;
- for balances: existence, rights and obligations, completeness or valuation and allocation; or
- for presentation and disclosure: occurrence, rights and obligations, completeness, classification and understandability and accuracy and valuation.

⁶⁸ Where the assets are held in the name of a nominee holding company insert "held in the name of [nominee holding company]".

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We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the [specified assertions] of the assets [and liabilities or transactions] in the Statement.

[The responsibilities of the auditor]

We will conduct our audit in accordance with the Australian Auditing Standards, in particular ASA 805 *Special Considerations—Audit of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, and with reference to AUASB Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*. Australian Auditing Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement is free from material misstatement with respect to the assertions specified. This audit involves performing procedures to obtain audit evidence about the [specified assertions] of the assets [and liabilities or transactions] in the Statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement with respect to the [specified assertions] of the assets [and liabilities or transactions] in the Statement, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the Statement with respect to the [specified assertions] of the assets [and liabilities or transactions].

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal control relevant to XYZ’s [specified assertions] of the assets [and liabilities or transactions] in the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of XYZ’s controls.⁶⁹ However, we will communicate to you in writing concerning any significant deficiencies in internal controls over financial reporting on behalf of [user entity / entities], that we have identified during the audit of the [specified assertions] of the assets [and liabilities or transactions] in the Statement.

We will report any uncorrected misstatements which we have aggregated during the audit but that were determined by management to be immaterial, both individually and in aggregate, to [specified assertions] of the assets [and liabilities or transactions] in the Statement, other than amounts which are clearly trivial, in an attachment to our report.

[The responsibilities of management]

Our audit will be conducted on the basis that [[the engaging party] confirm that]⁷⁰ management and, where appropriate, those charged with governance,⁷¹ of XYZ acknowledge and understand that they have responsibility:

- (a) for the [specified assertions] of the assets [and liabilities or transactions] in the Statement fairly in accordance with the basis of preparation;⁷²

⁶⁹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the specified assertions of the assets [and liabilities or transactions] in the Statement, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to [name of service organisation]’s preparation and fair presentation of [specified assertions] of the assets [and liabilities or transactions] in the Statement in order to design audit procedures that are appropriate in the circumstances.”

⁷⁰ Insert where the engaging party is not XYZ Service Organisation, so the engaging party needs to obtain XYZ’s acknowledgement of their responsibilities.

⁷¹ Use terminology as appropriate in the circumstances, such as “the Directors”.

⁷² Insert “applicable Australian Accounting Standards” where multiple Australian Accounting Standards were applied; insert reference to a specific Australian Accounting Standard where appropriate (for example: “the measurement standards of AAS 25 Financial Reporting by Superannuation Plans.”); or “the accounting policies described in Note X to the Statement”.

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- (b) for such internal control as XYZ [management] determines is necessary to enable [specified assertions] of the assets [and liabilities or transactions] in the Statement that is free from misstatement, whether due to fraud or error;
- (c) to provide us with:
 - (i) Access to all information of which those charged with governance and management of XYZ are aware that is relevant to the [specified assertions] of the assets [and liabilities or transactions] in the Statement such as records, documentation and other matters;
 - (ii) Additional information that we may request from those charged with governance and management of XYZ for the purpose of the audit; and
 - (iii) Unrestricted access to persons within XYZ from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from [management and, where appropriate, those charged with governance of XYZ] written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from [XYZ and]⁷³ your staff during our audit.

[Distribution of the Auditor's Report]

We understand that our report may be incorporated in a report prepared by XYZ for distribution to [the engaging party and] the [Trustee/those charged with governance] of [user entity] for the purpose of fulfilling the [those charged with governance] of XYZ's reporting obligations under the [title of contract or service level agreement]. Our report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report, or on the Statement to which it relates, to any person other than [the engaging party], [those charged with governance] of XYZ, [the Trustee/those charged with governance] of [user entity / entities] and their auditor, or for any other purpose other than that for which it was prepared.⁷⁴

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[Reporting]

[Insert appropriate reference to the expected form and content of the auditor's report.]

The form and content of our report may need to be amended in the light of our audit findings.

[Independence]

We confirm that, to the best of our knowledge and belief, the engagement team are independent of [user entity / entities] in accordance with [specify relevant ethical requirements] in relation to the audit of the [specified assertions] of the assets [and liabilities or transactions] in the Statement. In conducting our audit of the [specified assertions] of the assets [and liabilities or transactions] in the Statement, should we become aware that we are not in compliance with the independence requirements of [specify relevant ethical requirements] we shall notify you on a timely basis.

⁷³ Insert where the engaging party is not XYZ Service Organisation.

⁷⁴ Use of the report and liability limitation: insert additional wording, if any, required to reflect any liability arrangements agreed between the service auditor, the service organisation and other users, including confirmation of the purpose for which the service auditor's report has been prepared and the basis on which other parties may use the report.

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Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of [specified assertions] of the assets [and liabilities or transactions] in the Statement including our respective responsibilities.

Yours faithfully

(signed)

.....

Partner

Firm

Acknowledged and agreed on behalf of [engaging party] by

(signed)

.....

Name and Title

Date

DRAFT

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Example 3: Engagement Letter for an Audit of a Statement

To [the engaging party]:⁷⁵

[The objective and scope of the audit]

You⁷⁶ have requested that we audit the [title of financial statement] of [user entity / entities]⁷⁷ (“the Statement”), which comprises the [statement of assets and liabilities] as at [date], and the [statement of transactions] for the year then ended, concerning the assets [and liabilities or transactions] of [user entity / entities]⁷⁸ [insert nature of investment management service: managed by or in the custody of] XYZ Service Organisation (XYZ) as at [date].

We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the Statement.

[The responsibilities of the auditor]

We will conduct our audit in accordance with the Australian Auditing Standards, in particular ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement, and with reference to AUASB Guidance Statement GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services. Australian Auditing Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Statement is free from material misstatement. [If the user auditor has provided a materiality level to apply in the audit insert: The performance materiality level, which we will apply in determining the nature, timing and extent of audit procedures and in evaluating the effect of misstatements identified, has been provided by the auditor of [user entity / entities] and is [x] percent of [total assets/net assets]. This audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

Because of the other inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal control relevant to XYZ’s preparation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of XYZ’s controls.⁷⁹ However, we will communicate to you in writing concerning any significant deficiencies in internal controls over financial reporting on behalf of [user entity / entities], that we have identified during the audit of the Statement.

We will report any uncorrected misstatements which we have aggregated during the audit but that were determined by management to be immaterial, both individually and in aggregate, to the Statement taken as a whole, other than amounts which are clearly trivial, in an attachment to our report.

⁷⁵ The addressees and references in the letter would be those that are appropriate in the circumstances of the engagement, including the relevant jurisdiction. It is important to refer to the appropriate persons – see ASA 210.

⁷⁶ Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “auditor” would be used or amended as appropriate in the circumstances.

⁷⁷ If certain assertions are specifically excluded from the audit then insert: “except for [specify assertions excluded, e.g. presentation and disclosure] of the Statement”.

⁷⁸ Where the assets are held in the name of a nominee holding company insert “held in the name of [nominee holding company]”.

⁷⁹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the Statement, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to [name of service organisation]’s preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances.”

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[The responsibilities of management and identification of the applicable financial reporting framework]

Our audit will be conducted on the basis that [[the engaging party] confirm that]⁸⁰ management and, where appropriate, those charged with governance⁸¹ of XYZ acknowledge and understand that they have responsibility:

- (a) For the preparation of the Statement that gives a true and fair view in accordance with [specify framework].⁸²
- (b) For such internal control as XYZ [management] determines is necessary to enable the preparation of a Statement that is free from misstatement, whether due to fraud or error.
- (c) To provide us with:
 - (i) Access to all information of which those charged with governance and management of XYZ are aware that is relevant to the preparation of the Statement such as records, documentation and other matters;
 - (ii) Additional information that we may request from those charged with governance and management of XYZ for the purpose of the audit; and
 - (iii) Unrestricted access to persons within XYZ from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from [management and, where appropriate, from those charged with governance of XYZ], written confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from [XYZ and]⁸³ your staff during our audit.

[Distribution of the Auditor's Report]

We understand that our report may be incorporated in a report prepared by XYZ for distribution to [the engaging party and] the [Trustee/those charged with governance] of [user entity] for the purpose of fulfilling the [those charged with governance] of XYZ's reporting obligations under the [title of contract or service level agreement]. Our report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report, or on the Statement to which it relates, to any person other than [the engaging party], [those charged with governance] of XYZ, [the Trustee/those charged with governance] of [user entity / entities] and their auditor, or for any other purpose other than that for which it was prepared.⁸⁴

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[Reporting]

[Insert appropriate reference to the expected form and content of the auditor's report.]

⁸⁰ Insert where the engaging party is not XYZ Service Organisation, so the engaging party needs to obtain XYZ's acknowledgement of their responsibilities.

⁸¹ Use terminology as appropriate in the circumstances, such as "the Directors".

⁸² Insert "applicable Australian Accounting Standards" where multiple Australian Accounting Standards were applied; insert reference to a specific Australian Accounting Standard where appropriate (for example: "the measurement standards of AAS 25 Financial Reporting by Superannuation Plans."); or "the accounting policies described in Note X to the Statement".

⁸³ Insert where the engaging party is not XYZ Service Organisation.

⁸⁴ Use of the report and liability limitation: insert additional wording, if any, required to reflect any liability arrangements agreed between the service auditor, the service organisation and other users, including confirmation of the purpose for which the service auditor's report has been prepared and the basis on which other parties may use the report.

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The form and content of our report may need to be amended in the light of our audit findings.

[Independence]

We confirm that, to the best of our knowledge and belief, the engagement team is independent of [user entity / entities] in accordance with [specify relevant ethical requirements] in relation to the audit of the Statement. In conducting our audit of the Statement, should we become aware that we have contravened the independence requirements of [specify relevant ethical requirements] we shall notify you on a timely basis.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the Statement including our respective responsibilities.

Yours faithfully

(signed)

.....

Partner

Firm

Acknowledged and agreed on behalf of [the engaging party] by

(signed)

.....

Name and Title

Date

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Appendix 2

(Ref: Para. 61)

SERVICE ORGANISATION'S TYPE 2 CONTROLS ASSERTION AND DESCRIPTION OF THE SYSTEM

The following example is for use as a guide only, in conjunction with the considerations described in this Guidance Statement, and is not intended to be exhaustive or applicable to all situations.

Service Organisation's Type 2 Assertion on the [Investment Management Service] System

Assertion by XYZ Service Organisation (XYZ)

The accompanying description has been prepared for clients who have used the [investment management service] system and their auditors who have a sufficient understanding to consider the description, along with other information including information about controls operated by clients themselves, when assessing the risks of material misstatements of clients' financial reports/statements. XYZ confirms that:

- (a) The accompanying description at pages [bb-cc] fairly presents the [investment management service] system for processing clients' transactions throughout the period [date] to [date]. The criteria used in making this assertion were that the accompanying description:
- (i) Presents how the system was designed and implemented, including:
- The types of services provided, including, as appropriate, classes of transactions processed.
 - The procedures, within both information technology and manual systems, by which those transactions were initiated, recorded, processed, corrected as necessary, and transferred to the reports prepared for clients.
 - The related accounting records, supporting information and specific accounts that were used to initiate, record, process and report transactions; this includes the correction of incorrect
 - information and how information was transferred to the reports prepared for clients.
 - How the system dealt with significant events and conditions, other than transactions.
 - The process used to prepare reports for clients.
 - Relevant control objectives and controls designed to achieve those objectives, including the control objectives for [investment management service] provided in Guidance Statement 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* except for [number excluded] control objectives which have been amended or omitted for the reasons set out in the attached Description of Controls in Operation.⁸⁵
 - Controls that we assumed, in the design of the system, would be implemented by clients, and which, if necessary to achieve control objectives stated in the

⁸⁵ Insert if certain control objectives specified in this Guidance Statement are not met by relevant controls.

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accompanying description, are identified in the description along with the specific control objectives that cannot be achieved by ourselves alone.

- Other aspects of our control environment, risk assessment process, information system (including the related business processes) and communication, control activities and monitoring controls that were relevant to processing and reporting clients' transactions.
- (ii) Includes relevant details of changes to the system during the period [date] to [date].
- (iii) Does not omit or distort information relevant to the scope of the system being described, while acknowledging that the description is prepared to meet the common needs of a broad range of clients and their auditors and may not, therefore, include every aspect of the system that each individual client may consider important in its own particular environment.
- (b) The controls related to the control objectives stated in the accompanying description were suitably designed and operated effectively throughout the period [date] to [date]. The criteria used in making this assertion were that:
- (i) The risks that threatened achievement of the control objectives stated in the description were identified;
 - (ii) The identified controls would, if operated as described, provide reasonable assurance that those risks did not prevent the stated control objectives from being achieved; and
 - (iii) The controls were consistently applied as designed, including that manual controls were applied by individuals who have the appropriate competence and authority, throughout the period [date] to [date].

.....
Signed on behalf of [management or those charged with governance] of XYZ

Date

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ATTACHMENT 1: Description of the [Investment Management Service] System Accompanying XYZ Service Organisation Management's Assertion

XYZ Service Organisation's [Investment Management Service] System

Services Provided

XYZ Service Organisation (XYZ) provides its clients with [investment management service/s: custody; asset management, property management, superannuation member administration, investment administration or registry] services, which involves [describe services provided].

The System

The stated internal control objectives and related controls included in this report apply to XYZ operations as they relate only to [investment management service] services. Specifically excluded from this report are controls within individual systems, controls executed at client premises and other services provided by XYZ, including [other related services provided to clients].

The effectiveness of controls performed by clients of XYZ should also be considered as part of the overall system of control relating to XYZ's [investment management service] services.

[Describe, as appropriate].⁸⁶

- *The procedures, within both information technology and manual systems, by which those transactions were initiated, recorded, processed, corrected as necessary, and transferred to the reports prepared for clients.*
- *The related accounting records, supporting information and specific accounts that were used to initiate, record, process and report transactions; this includes the correction of incorrect information and how information is transferred to the reports prepared for clients.*
- *How the system dealt with significant events and conditions, other than transactions.*
- *The process used to prepare reports for clients.*

This may include a description of the flow of transactions or a flowchart].⁸⁷

[Controls at Subservice Organisations]⁸⁸

[XYZ uses [name of subservice organisation] to provide [type or name of] services, which form part of the [investment management service] system used by XYZ clients. The [type or name of] services provided by [subservice organisation] are [describe the nature of the services provided]. XYZ's description of the system includes XYZ's monitoring controls over the operating effectiveness of the controls at [subservice organisation] and [includes/excludes]⁸⁹ the relevant control objectives and related controls of [subservice organisation].

Internal Control Objectives and Related Controls

We set out in this report the control objectives and related controls implemented for XYZ. The specific controls set out in the remainder of the report have been designed to achieve each of the

⁸⁶ Aspects of the system to be described here relate to the manner in which the system operates to provide services to clients but do not include specific controls which are designed to achieve the control objectives.

⁸⁷ The description may be presented in various formats such as narratives, flowcharts, tables or graphics, with an indication of the extent of manual and computer processing used.

⁸⁸ Insert this section if XYZ uses a subservice organisation which performs some of the services provided to clients which use the system.

⁸⁹ Use "includes" if the inclusive method is used and "excludes" if the carve-out method is used with respect to the subservice organisation's services. See ASAE 3402, paragraph 9(a) for definition of carve-out method and paragraph 9(g) for definition of inclusive method.

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control objectives. The controls have been in place throughout the period from [date] to [date] unless otherwise indicated.

The controls which were in operation at XYZ throughout the period from [date] to [date], or during a lesser period where specified, to ensure that the identified control objectives over [investment management service] are achieved were:

Internal Control Objective

*[Control objectives, including the minimum control objectives for the relevant investment management service/s from GS 007 Appendix 3 and, for any minimum control objectives omitted, the reason for that omission.]*⁹⁰

Related Controls

[List controls in operation during the specified period relating to each control objective.]

[Period of operation: *If the control has not been in operation the entire period or has changed, state the period during which the control was operating and the period during which the change was effective.]*⁹¹

[Complementary client controls: *Describe any complementary user entity controls contemplated in the design of the controls.]*⁹²

⁹⁰ Where the control objective is excluded from the system description, insert: "This control objective is not relevant to the operation of [service organisation]'s [investment management service] services because [specify reasons] and so has not been addressed by related controls."

⁹¹ This section should be inserted for each control which has not been in operation for the whole period or has changed during the period.

⁹² This section should be inserted for each control for which there are complementary user entity controls contemplated in the design of the control. See ASAE 3402 paragraph 9(b) for definition of complementary user entity controls.

Appendix 3

(Ref: Para. 14, 62)

MINIMUM CONTROL OBJECTIVES FOR EACH INVESTMENT MANAGEMENT SERVICE

This Appendix sets out detailed control objectives for the investment management services referred to in paragraph 14 of this Guidance Statement and further defined below. The control objectives listed are the minimum objectives which the service auditor and users of a type 1 or 2 report may reasonably expect to be addressed in the service organisation's description of its investment management service system for each service, but are not intended to be exhaustive. Where a combination of multiple investment management services are provided the service organisation ensures that the combined control objectives adequately address the service offering and that additional objectives are added where there are gaps between the set of objectives for each service. For example, also see, "*Valuation governance and methodology*" control objectives under sections B and E.

The control objectives included are those which are likely to be relevant to user entities' controls as they relate to financial reporting and not for other purposes, such as to meet compliance requirements or to assess performance with respect to service level agreements. It remains the responsibility of management, or those charged with governance, of the service organisation to ensure that the described control objectives are likely to be relevant to client's controls as they relate to financial reporting. Unitised funds will not usually prepare controls reports as they are typically investment vehicles rather than service organisations whose controls are relied upon by user entities for financial reporting purposes. Investors in unitised funds usually obtain evidence of valuations through sources such as unit prices, investor statements and the fund's audited financial statements. As a result, auditors of investors will not usually need to rely on controls operating within the unitised fund itself.

Control objectives for transition of specific user entities to a new investment management service organisation are also not addressed in these minimum control objectives, as they are not relevant to the general financial reporting needs of all user entities, rather they relate to each individual transitioning user entity. A separate engagement may be agreed with the service organisation and service auditor where assurance over the transition is required by the affected user entity.

Control objectives for services provided by unitised funds, unit pricing, transitions or other purposes may be included if the service organisation requires those objectives to be addressed in the engagement.

Developments in the financial market infrastructure, including the use of distributed ledger technology and tokenised assets, may introduce additional operational processes and risks that are not specifically contemplated within these minimum control objectives. For example, these technologies may change how assets are recorded, transferred or verified. Where such technologies are used, service organisations should consider whether additional control objectives are required to appropriately address the associated risks.

A. Custody

Definition:

"Custody" is the performance of the following functions on behalf of user entities:

- Maintaining custody of assets and records of the assets held for user entities (such assets may exist in physical or electronic form).
- Collecting income and distributing such income to user entities.

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- Receiving notification of corporate events and reflecting such events in the records of user entities.
- Receiving notification of asset purchase and sale transactions relating to user entities' assets which are held by the custodian, and reflecting such transactions in the records of user entities.
- Receiving payments from purchasers and disbursing proceeds to sellers for asset purchase and sale transactions.

Control Objectives:

Accepting clients and account setup

- A1. New client custody agreements and subsequent amendments, including investment guidelines and restrictions, are authorised prior to commencement of custody services.
- A2. Client mandates, investment restrictions and custody service parameters are established in accordance with documented policies.
- A3. Client details and custody accounts⁹³ are completely and accurately set up in relevant systems prior to initiating custody activities.
- A4. Authorised signatories, standing settlement instructions and payment authorisation protocols (including dual approval requirements) are established prior to processing custody transactions and subsequently maintained, periodically reviewed and updated.
- A5. Opening balances for client onboarding, including in-specie transfers, are completely and accurately recorded in line with client instructions.

Authorising and processing transactions

- A6. Asset transactions are authorised and recorded completely and accurately in accordance with client instructions and any applicable regulations.
- A7. Client transaction instructions are validated against authorised signatories and client mandates prior to processing transactions.
- A8. Investment and related cash and foreign exchange transactions are authorised, processed and recorded completely and accurately within agreed timescales.
- A9. Investment and related cash and foreign exchange transactions are settled and failed trades are identified and resolved within agreed timescales.
- A10. Corporate actions are identified, processed and recorded completely and accurately within agreed timescales.
- A11. Authorised voluntary corporate actions are processed and recorded completely and accurately within agreed timescales.
- A12. Cash receipts and payments are authorised in accordance with client instructions or custody arrangements and are processed and recorded completely, accurately and within agreed timescales.

⁹³ Controls over the transition of specific user entities' funds to the custody of the service organisation are not addressed in this objective.

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- A13. Lender and borrower participation in lending programs is authorised and loan initiation, maintenance and termination are recorded completely, accurately and within agreed timescales.
- A14. Loans are fully collateralised and the collateral together with its related income is recorded completely, accurately and within agreed timescales.

Maintaining financial and other records

- A15. Accounts are maintained and administered in accordance with client custody agreements and applicable governing documents.
- A16. Changes to static client data (for example, address changes, bank account changes and changes in allocation instructions) and relevant securities master data are authorised and recorded completely and accurately within agreed timescales.
- A17. Pricing and securities master data including security identifier, market information and pricing source details are established and maintained accurately based on information obtained from authorised sources.
- A18. Foreign exchange rates used for transaction processing and valuations are obtained from authorised sources and recorded or uploaded completely and accurately within agreed timescales.
- A19. Investment income and related tax reclaims are collected and recorded completely and accurately within agreed timescales.
- A20. Investments with observable prices are accurately valued using prices obtained from authorised independent pricing sources and portfolio valuations are complete and distributed within agreed timescales.
- A21. Investments without independently available observable prices or prices where only a single pricing source is available are valued according to approved pricing policies and, where necessary, using approved pricing models, assumptions and inputs.
- A22. Cash and investment positions for securities held by third parties (including sub custodians and depositories) are completely and accurately recorded and reconciled to third party data, and differences are identified, investigated and resolved within agreed timescales.
- A23. Internal records of cash and investment positions are regularly reconciled, and differences are identified, investigated and resolved within agreed timescales.

Safeguarding assets

- A24. Assets held (including investments held with depositories, cash and physically held assets) are safeguarded from loss, misappropriation and unauthorised use.
- A25. Assets held are appropriately registered in name of the client or nominee, and client money and assets are segregated and ring-fenced from the custodian's own assets in accordance with custody agreements and applicable regulations.

Monitoring compliance

- A26. Processing errors and exceptions are identified, investigated, resolved and reported to clients in accordance with established policies.
- A27. Breaches of custody agreements, governing documents (including trust deeds), and client mandates are identified and addressed in accordance with established policies.

Monitoring subservice organisations

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- A28. Appointments of subservice organisations, including those providing custodian services, are subject to appropriate due diligence and approval prior to commencement of any custody activity.
- A29. Outsourced activities provided by subservice organisations are governed by authorised contracts and service level agreements that define the services to be provided and the associated performance standards, which are periodically reviewed to ensure they remain appropriate.
- A30. The services provided by subservice organisations are monitored and assessed against the performance and service standards set out in the service level agreements on an ongoing basis (e.g., reviewing subservice organisation system reports), as well as periodically (e.g., periodic service level meetings with the subservice organisation). Any breaches, service failures or emerging risks are escalated, addressed and remediated in accordance with established issue-management and escalation procedures, and reported to the service organisation within agreed timescales.

Reporting to clients

- A31. Client reporting, in respect of client cash and investment holdings, is prepared completely and accurately and provided within required timescales.
- A32. Cash and investment positions, including details of securities lent and related collateral, are reported to relevant parties completely and accurately within required timescales.

Information technology

See control objectives: **G.1 – G.16**

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B. Asset Management

Definition:

“Asset management” is the investment of money on behalf of clients and involves the performance of the following functions:

- Initiating and executing purchase and sale transactions, either by specific direction from the client or under discretionary authority granted by the client.
- Determining whether transactions comply with guidelines and restrictions.
- Determining asset valuations.
- Reconciling records of security transactions and portfolio holdings, for each client, to statements received from the custodian.
- Reporting to the client on portfolio performance and activities.

Assets may be managed in accordance with specific client directions, under a discretionary mandate agreed by the client or through a unitised fund, with the investment strategy mandated in an offer document or client agreement. The objectives detailed below should be scoped depending on the applicability to the asset class under review.

Control Objectives:

Accepting clients and account setup

- B.1** New⁹⁴ client investment management agreements and subsequent amendments, including investment guidelines and restrictions, are authorised prior to commencement of investment services.
- B.2** Client details, accounts, investment guidelines and restrictions are completely and accurately set up in relevant systems prior to initiating investment activities, including establishment of authorised signatories, standing settlement instructions and payment authorisation protocols (including dual approval requirements). These are subsequently maintained, periodically reviewed and updated.
- B.3** Opening balances for client onboarding, including in-specie transfers, are completely and accurately recorded in line with client instructions.

Authorising and processing transactions

- B.4** Proposed investment transactions are assessed for compliance with client investment guidelines and restrictions prior to execution.
- B.5** Asset investment transactions are authorised, executed and allocated completely and accurately within agreed timescales.
- B.6** Where trades are executed for multiple client portfolios, those trades are allocated to the relevant portfolios in accordance with established allocation policies, recorded completely and accurately within agreed timescales.
- B.7** Transaction costs are complete, authorised, calculated accurately and reviewed in accordance with established procedures.

⁹⁴ Controls over the transition of specific user entities’ assets to the management of the service organisation are not addressed in this objective.

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- B.8** Asset investment and related foreign exchange and cash transactions are recorded completely and accurately and communicated for settlement within agreed timescales.
- B.9** Corporate actions are processed and recorded completely, accurately and within agreed timescales. Voluntary corporate actions are authorised and processed in accordance with client instructions and investment mandates.
- B.10** Client applications/subscriptions and withdrawals/redemptions are identified, authorised where required, processed, and recorded completely and accurately within agreed timescales.⁹⁵
- B.11** Portfolio rebalancing decisions (scheduled or event-driven) are initiated in accordance with client mandates or offer documents, assessed for pre-trade compliance, approved in line with delegated authorities prior to execution, and executed and recorded completely, accurately and within agreed timescales.

Maintaining financial and other records

- B.12** Accounts are maintained and administered in accordance with client agreements, and applicable governing documents.
- B.13** Changes to static client data (for example, address changes, bank account changes and changes in allocation instructions) and relevant securities master data are authorised and recorded completely and accurately within agreed timescales.⁹⁶
- B.14** Investment income (including rental income where applicable) and related tax reclaims are completely and accurately recorded in the proper period.
- B.15** Cash and investment positions are completely and accurately recorded and reconciled to third party data within agreed timescales.
- B.16** Investments are accurately registered, and cash is segregated from that of the investment manager.
- B.17** Investment management and performance fees and other account expenses are calculated and recorded accurately in accordance with client agreement or offer documents.
- B.18** Loan covenant obligations for debt instruments held in client portfolios are monitored, with relevant covenant terms accurately captured, regularly assessed, and any actual or potential breaches identified, escalated and addressed in a timely manner

Valuation Governance and Methodology

- B.19** Valuation methodologies applied to investments are approved, documented and consistently applied in accordance with the applicable financial reporting framework.
- B.20** Investments with observable prices are accurately valued using prices obtained from authorised independent pricing sources.
- B.21** Investments without independently available observable prices or prices where only a single pricing source is available are valued according to approved pricing policies, and where necessary, using approved pricing models, assumptions and inputs, subject to independent oversight and review by those charged with governance, and governed by controls designed to manage conflicts of interest.⁹⁷

⁹⁵ Where user entities are unitised funds this objective is not usually applicable but is instead covered by the control objectives for Registry (Section F).

⁹⁶ Where user entities are unitised funds, this objective is not applicable but is instead covered by the control objectives for Registry (Section F).

⁹⁷ This objective is not intended to extend to the detailed controls over unit pricing.

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- B.22** External valuations are undertaken by an appropriately qualified independent valuer on a periodic basis, reviewed and recorded completely and accurately in accordance with client requirements.
- B.23** Significant events (including indicators of impairment) that may affect the fair value of investments including market movements, issuer-specific developments, credit-related events or other valuation-relevant factors are identified, assessed and reflected in valuations in a timely manner. Any valuation overrides or adjustments are documented, supported by appropriate evidence and market inputs, subject to independent review and approval, and governed by conflict-management controls.
- B.24** Where valuations are derived from external managers or third parties, an appropriate level of independent review and challenge is performed prior to reliance.
- B.25** Valuation outcomes are reviewed, approved and overseen by personnel with appropriate authority, competence and independence prior to financial reporting.
- B.26** Investments are classified appropriately within the fair value hierarchy, and the basis for classification is documented, reviewed and supported by relevant evidence.

Safeguarding of assets

- B.27** Cash balances are held with approved counterparties and managed with regard to diversification of risk and security of funds.
- B.28** Properties are insured against loss.
- B.29** Fund liquidity is monitored and managed in accordance with established liquidity risk management policies and procedures, taking into account fund liabilities and investor redemption requirements.

Monitoring compliance

- B.30** Client investments and cash are managed in accordance with client mandates and investment objectives and monitored for compliance with applicable investment guidelines and restrictions, including pre and post transaction checks.
- B.31** Transaction errors, including guideline breaches, trading errors and client reporting errors, are identified, reported to the client and resolved in accordance with established policies.
- B.32** Transactions are conducted only with approved counterparties. Counterparty exposures are periodically monitored for compliance with established counterparty limits and guidelines, and breaches are investigated and escalated in accordance with established procedures.
- B.33** Property development projects are monitored against approved budgets, timelines and project plans and significant variances are investigated and escalated in accordance with established procedures.
- B.34** Transactions and service arrangements involving related parties are identified, reviewed, approved and documented in accordance with established conflicts of interest and related-party policies.

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Monitoring subservice organisations⁹⁸

- B.35** Appointments of subservice organisations providing services relating to relevant control objectives, are subject to appropriate due diligence and approval prior to commencement of any activity.
- B.36** Outsourced activities provided by subservice organisations are governed by authorised contracts and service level agreements that define the services to be provided and the associated performance standards, which are periodically reviewed to ensure they remain appropriate.
- B.37** The services provided by subservice organisations are monitored and assessed against the performance and service standards set out in the service level agreements on an ongoing basis (e.g., reviewing subservice organisation system reports), as well as periodically (e.g., periodic service level meetings with the subservice organisation). Any breaches, service failures or emerging risks are escalated, addressed and remediated in accordance with established issue-management and escalation procedures and reported to the service organisation within agreed timescales.

Reporting to clients

- B.38** Client reporting, in respect of portfolio valuations, transactions, holdings and income, is prepared completely and accurately and provided within agreed timescales.

Information technology

See control objectives: **G.1 – G.16**

⁹⁸ Control objective for monitoring subservice organisations applies when the carve-out method is used to deal with subservice organisations. See ASAE 3402, paragraph 9(a) for definition of carve-out method.

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C. Property Investment Administration

Definition:

“Property investment administration” is the performance of administrative, accounting, cash management, and reporting functions in relation to property investments, where those functions form part of a user entity’s information system relevant to financial reporting. These functions include:

- establishing and maintaining client and property records.
- administering tenancy and lease arrangements.
- processing and recording rental income, service charges, expenses, and capital expenditure.
- managing cash flows and disbursements.
- reconciling property-related balances to internal and third-party records.
- monitoring compliance with lease agreements, service level agreements, and applicable governing documents.
- overseeing outsourced property administration activities.
- preparing accurate and timely reporting to clients and regulators.

Control Objectives:

Accepting clients and account setup

- C.1** New client agreements and amendments are authorised prior to commencement of property administration activity.
- C.2** Client details, accounts and property related information are completely and accurately established onto relevant systems prior to initiating property administration activity.
- C.3** Opening balances for client onboarding are accurately recorded to clients in line with client instructions.

Authorising and processing transactions

- C.4** New tenancy agreements and leases are authorised and executed prior to occupation.
- C.5** Changes to tenancy agreements and leases are reviewed and authorised within agreed timescales.
- C.6** Rent reviews are conducted in accordance with tenancy agreements on a periodic basis and the outcome of the reviews are to be approved, recorded, and processed completely, accurately and in the proper period.
- C.7** Service charges, including property operating expenses, expense recoverables from tenants in accordance with lease agreements are calculated completely and accurately and approved in accordance with established policies.

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- C.8** Suppliers of property services are approved in accordance with established supplier approval policies or administration agreements where applicable, and the approvals are documented completely and accurately.
- C.9** Capital expenditure relating to investment properties is authorised in accordance with established approval authorities and supported by appropriate documentation.

Maintaining financial and other records

- C.10** New property master data and changes to existing property master data including records related to ownership, tenant and lease information, are authorised and recorded completely and accurately within agreed timescales.
- C.11** Property income and related tax are completely and accurately recorded in the proper period and collected within agreed timescales.
- C.12** Service charges are recorded within the proper period and collected in accordance with tenancy agreements.
- C.13** Payments are supported by appropriate documentation and authorised in accordance with established approval authorities, and are processed and recorded completely and accurately within agreed timescales.
- C.14** Property management fees and other property expenses are calculated in accordance with relevant agreements appropriately authorised, and recorded completely and accurately.
- C.15** Disbursements to clients are supported by appropriate documentation, authorised in accordance with client agreements or instructions, and processed and recorded completely and accurately within agreed timescales.
- C.16** Cash relating to property management is completely and accurately recorded and reconciled to internal records and third-party data within agreed timescales (e.g. tenant ledgers, rental arrears or bank statements).

Monitoring compliance

- C.17** Breaches and errors are identified, investigated and resolved in accordance with established policies and agreements and reported to clients within agreed timescales.
- C.18** Investment property administration activities are monitored for compliance with lease agreements, client service level agreements and applicable governing documents.
- C.19** Regulatory reporting obligations are identified and monitored, and required reports are prepared, reviewed and submitted to relevant regulatory authorities within prescribed timeframes.
- C.20** Property operating income and expenses, including tenant exposures and rental arrears, are monitored on a periodic basis against approved budgets and lease agreements, and significant variances or arrears are investigated, escalated in accordance with established procedures.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

Monitoring subservice organisations

- C.21** Appointments of subservice organisations, including those providing investment property administration services, are subject to appropriate due diligence and approval prior to commencement of any investment property administration activity.
- C.22** Outsourced activities provided by subservice organisations are governed by authorised contracts and service level agreements that define the services to be provided and the associated performance standards, which are periodically reviewed to ensure they remain appropriate.
- C.23** The services provided by subservice organisations are monitored and assessed against the performance and service standards set out in the service level agreements on an ongoing basis (e.g., reviewing subservice organisation system reports), as well as periodically (e.g., periodic service level meetings with the subservice organisation). Any breaches, service failures or emerging risks are escalated, addressed and remediated in accordance with established issue-management and escalation procedures and reported to the service organisation within agreed timescales.

Reporting to clients

- C.24** Client reporting, in respect of property transactions, holdings, valuations and income are complete and accurate and provided to clients within agreed timescales

Information technology

See control objectives: **G.1 – G.16**

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

D. Superannuation Member Administration

Definition:

“Superannuation member administration” is the performance of administrative functions relating to the superannuation funds, staff benefit schemes, legacy retirement plans or similar member-based retirement arrangements, including the following:

- Maintaining membership data, including the addition of new members and updating existing members’ data.
- Receiving contributions and transfers in from employers, members or government and allocating them to members’ accounts.
- Calculation and payment of benefits to members, beneficiaries, other superannuation funds and/or other third parties where applicable (e.g. financial hardship).
- Receiving instructions from members and trustees regarding investment elections and investment switch requests, and executing these instructions.
- Processing deductions from member accounts, including insurance premiums, administration fees and contribution tax, and remittance of expenses and tax to appropriate parties.
- Liaison with insurers regarding insurance claims, receipt of insurance proceeds and payment of death, TPD and income protection benefits.
- Allocation of fund earnings to members’ accounts, through application of crediting rate or adjustment of unit prices.
- Annual review of the fund, including roll up of members’ accounts, calculation of vested or accrued benefits/accrued benefits and annual reporting to members and trustees.

Where the service organisation maintains financial records in addition to member records, the control objectives in Appendix 3 Section E Investment Administration will also be applicable.

Control Objectives:

Accepting clients and account setup

- D.1** New accounts⁹⁹ for superannuation funds and sub-plans are set up completely and accurately in accordance with client agreements and any applicable regulations.
- D.2** Member accounts are set up completely and accurately in accordance with fund rules and individual investment and insurance elections.

⁹⁹ Controls over the transition of individual existing superannuation funds to the superannuation member administrator are not addressed in this objective.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

- D.3** Member information and elections provided during account establishment are validated in accordance with fund rules, client requirements and applicable governing documents prior to account activation.

Authorising and processing transactions

- D.4** Contributions and transfers received are correctly classified, validated where applicable, and allocated to members' accounts, and processed completely and accurately within agreed timescales.
- D.5** Unallocated or unidentified contributions are recorded in suspense accounts and investigated and allocated to the appropriate member accounts within agreed timescales.
- D.6** Corrections or reversals of member transactions are authorised and processed in accordance with established procedures and recorded completely and accurately in member accounts.
- D.7** Superannuation benefits, withdrawals and transfer values are calculated and recorded accurately in accordance with fund rules and applicable governing documents and payments are authorised and processed within agreed timescales.
- D.8** Instructions from members and trustees regarding investment elections and investment switch requests are validated and processed accurately in accordance with authorised instructions and fund rules.
- D.9** Deductions from member accounts, including insurance premiums, administration fees and contribution tax, are calculated in accordance with member elections, fund rules, and applicable governing documents and are accurately recorded within agreed timescales.
- D.10** Amounts deducted from member accounts are calculated in accordance with fund rules and applicable governing documents, authorised and remitted to the appropriate parties within agreed timescales.
- D.11** Insurance claims relating to member benefits are processed in accordance with fund rules and insurance policy terms and claim proceeds are recorded completely and accurately in member accounts.

Maintaining member records

- D.12** Changes to static members data (for example, address changes, bank account changes and changes in allocation instructions) are supported by appropriate records, authorised and recorded completely and accurately on a timely basis.
- D.13** Investment earnings are accurately allocated to member account using authorised crediting rates or unit prices in accordance with trustee directions and fund rules.
- D.14** Vested or accrued member benefits, where applicable, are recorded in accordance with actuarial calculations and fund rules and are updated and maintained accurately in member records on a timely basis.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

D.15 Member account balances are periodically reconciled to the corresponding fund accounting or registry records, and any differences are investigated and resolved.

Safeguarding assets

D.16 Superannuation fund, sub-plan, member data, account balances and related records are appropriately maintained and accurate, and protected from unauthorised access, alteration or loss.

Monitoring compliance

D.17 Contributions received are monitored in accordance with fund rules and applicable governing documents and any exceptions are investigated and followed up where necessary.

D.18 Transaction errors are identified, investigated and rectified in accordance with established procedures and notified to members or trustees in accordance with client agreements.

D.19 Benefits payable and transfer values are calculated and paid in accordance with superannuation fund rules and applicable governing documents.

Monitoring subservice organisations¹⁰⁰

D.20 Appointments of subservice organisations, including those providing superannuation member administration are subject to appropriate due diligence and approval prior to commencement of any superannuation member administration activity.

D.21 Outsourced activities provided by subservice organisations are governed by authorised contracts and service level agreements that define the services to be provided and associated performance standards, which are periodically reviewed to ensure they remain appropriate.

D.22 The services provided by subservice organisations are monitored and assessed against the performance and service standards set out in the service level agreements on an ongoing basis (e.g., reviewing subservice organisation system reports), as well as periodically (e.g., periodic service level meetings with the subservice organisation). Breaches, service failures or emerging risks are escalated, addressed and remediated in accordance with established issue-management and escalation procedures, and reported to the service organisation within agreed timescales.

Reporting to members

D.23 Regulatory and client reporting obligations relating to member administration are identified and monitored and required reports are prepared and submitted within prescribed timeframes.

D.24 Periodic member statements and reports are prepared completely and accurately and provided within agreed timescales.

¹⁰⁰ Include control objectives for monitoring subservice organisations when the carve-out method is used to deal with subservice organisations. See ASAE 3402, paragraph 9(a) for definition of carve-out method.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

Information technology

See control objectives: **G.1 – G.16**

DRAFT

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

E: Investment Administration

Definition:

“Investment Administration” is the performance of the following functions:

- Maintaining records of securities, cash, and other portfolio assets and liabilities based on information received from the Trustee/Responsible Entity, investment manager, registrar, custodian and others (as applicable).
- Valuations of portfolio assets and liabilities, determining net asset values and reporting thereof.
- Periodic reporting of performance and investment compliance to the Trustee/Responsible Entity, investment manager, and others (as applicable).
- Managing the member equity interests in a unitised fund that as a user entity (i.e. the unit registry and unit pricing for the unitised fund itself)
- Periodic financial reporting.

While this section E deals with ‘investment administration’, it also applies to external administration of the unit registry and unit pricing for member equity interests in a unitised scheme as a user entity. Unit pricing and crediting rate calculations are also a function performed in investment administration, for which the control objectives include the accurate calculation of daily or other periodic unit prices or crediting rates with detailed controls allied to that objective. Control objectives relevant to unit pricing, distributions and credit rate calculations have not been listed below, because it would not ordinarily be necessary to meet these objectives in obtaining assurance over the operating effectiveness of controls for investment administration services provided by a service organisation for the purpose of the audit of user entities’ financial reports.

Control Objectives:

Accepting clients and account setup

- E.1** New client investment administration agreements and subsequent amendments, including investment guidelines and restrictions, are authorised prior to commencement of investment administration services.
- E.2** Client mandates, investment restrictions and administration service parameters are established in accordance with documented policies.
- E.3** Client details, accounts, investment guidelines and restrictions are completely and accurately set up in relevant systems prior to initiating investment administration activities.
- E.4** Authorised signatories, standing settlement instructions and payment authorisation protocols (including dual approval requirements) are established prior to processing investment administration transactions and subsequently maintained, periodically reviewed and updated.
- E.5** Opening balances for client onboarding, including in specie transfers, are completely and accurately recorded in line with client instructions.

Authorising and processing transactions

- E.6** Proposed investment transactions are assessed for compliance with client investment guidelines and restrictions prior to execution.
- E.7** Investment transactions are authorised, executed and allocated completely and accurately within agreed timescales.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

- E.8** Corporate actions are processed and recorded completely, accurately and within required timescales.
- E.9** Voluntary corporate actions are authorised and processed in accordance with client instructions and investment mandates.
- E.10** Client applications/subscriptions and withdrawals/redemptions are identified, authorised where required, processed and recorded completely and accurately within agreed timescales.

Maintaining financial and other records

- E.11** Accounts are maintained and administered in accordance with client agreements, and applicable governing documents.
- E.12** Changes to static client data (for example, address changes and changes in allocation instructions) and relevant security master data are authorised and recorded completely and accurately.
- E.13** Investment income and related tax reclaims are completely and accurately recorded in the proper period.
- E.14** Issue and cancellations of shares/units are recorded completely and accurately in the financial records and units on issue are regularly reconciled to data provided by registry.
- E.15** Cash and investment positions are completely and accurately recorded and reconciled to third party data within agreed timescales.
- E.16** Expenses are authorised and recorded in accordance with the service level agreement and/or client instructions within agreed timescales.

Monitoring compliance

- E.17** Errors are identified, notified to clients and rectified promptly in accordance with client agreements.

Valuation governance and methodology

- E.18** Valuation methodologies applied to investments are approved, documented and consistently applied in accordance with the applicable financial reporting framework.
- E.19** Investments with observable prices are accurately valued using prices obtained from authorised independent pricing sources.
- E.20** Investments without independently available observable prices or prices where only a single pricing source is available are valued according to approved pricing policies and, where necessary, using approved pricing models, assumptions and inputs.

Monitoring subservice organisations¹⁰¹

- E.21** Appointments of subservice organisations, including those providing investment administration are subject to appropriate due diligence and approval prior to commencement of any investment administration activity.

¹⁰¹ Include control objectives for monitoring subservice organisations when the carve-out method is used to deal with subservice organisations. See ASAE 3402, paragraph 9(a) for definition of carve-out method.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

- E.22** Outsourced activities provided by subservice organisations are governed by authorised contracts and service level agreements that define the services to be provided and associated performance standards, which are periodically reviewed to ensure they remain appropriate.
- E.23** The services provided by subservice organisations are monitored and assessed against the performance and service standards set out in the service level agreements on an ongoing basis (e.g., reviewing subservice organisation system reports), as well as periodically (e.g., periodic service level meetings with the subservice organisation). Any breaches, service failures or emerging risks are escalated, addressed and remediated in accordance with established issue-management and escalation procedures and reported to the service organisation within agreed timescales.

Reporting to clients

- E.24** Periodic client reports, including calculation of net asset value if required, are prepared completely and accurately and provided within agreed timescales.
- E.25** Annual reports, financial statements and other required regulatory reports are prepared completely and accurately and submitted in accordance with applicable laws and regulations.

Taxation

- E.26** Tax policy is updated and reviewed on a timely basis.
- E.27** Tax information components and attributes used in the preparation of the income tax computation (current and deferred) are complete and calculated accurately in accordance with tax policy or as agreed with clients.
- E.28** Differences between tax and accounting treatments are identified and calculated in accordance with tax policy or as agreed with clients and reported in a timely manner to clients.
- E.29** Current and deferred tax balances in the general ledger are accurately recorded in accordance with the tax computation, and processed in a timely manner in accordance with tax policy or as agreed with clients.

Information technology

See control objectives: **G.1 – G.16**

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

F. Registry

Definition:

“Registry” is the performance of the following functions:

- Maintaining records of the name and address of each shareholder or unitholder investing in the client/issuer, the amount of shares or units in the client owned by each share/unitholder, any reference corresponding to a share/unit holder’s positions, the issue date of the share/unit, and the cancellation date of the share/unit (if applicable).
- Recording the amount of shares/units purchased, redeemed, switched, transferred or reinvested by a shareholder or unitholder on the issuer’s books upon receipt of a validated request.
- Recording changes to share/unit holdings as a consequence of a corporate action upon receipt of a validated instruction.
- Monitoring the issuance of shares/units in an issue to prevent the unauthorised issuance of shares/units.
- Ensuring that any issuance of shares/units will not cause the authorised number of shares/units in an issue to be exceeded and that the number of new shares/units represented corresponds to the number of cancelled shares/units.
- Performing stakeholder meeting and voting processes such as document design and print procurement, postage, other distribution of documentation and reporting.

Control Objectives:

Accepting clients and account setup

- F.1** New client accounts¹⁰² are set up completely and accurately in accordance with client/issuers agreements.
- F.2** Complete and authorised client agreements are established prior to initiating registry activity.

Authorising and processing transactions

- F.3** New share/unitholder activity is established and recorded completely and accurately within agreed timescales.
- F.4** Share/unitholder applications/subscriptions, withdrawals/redemptions and switches received are validated against authorised instructions and supporting documentation and distributed for processing within agreed timescales.
- F.5** Share/unitholder transactions and adjustments are authorised, processed accurately and completely within agreed timescales.
- F.6** Cash receipts are processed, recorded and deposited to the appropriate bank accounts completely and accurately within agreed timescales and reconciled to registry records where applicable
- F.7** Payments to share/unitholders and related confirmation notices are generated completely and accurately, and are matched and authorised prior to despatch or electronic release.

¹⁰² Controls over the transition of specific user entities’ registry to the management of the service organisation are not addressed in this objective.

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F.8 Where issued capital is fixed or limited, registry records ensure that shares or units issued do not exceed authorised limits and that units on issue reconcile to user records.

F.9 Distribution payments and reinvestments are complete, calculated in accordance with the authorised distribution and processed within agreed timescales.

Maintaining financial and other records

F.10 Share/unitholders accounts and related records are maintained and administered in accordance with client agreements, and applicable governing documents.

F.11 Changes to static share/unitholder data (for example, address changes, bank account changes and changes in allocation instructions) and relevant securities master data are authorised and recorded completely and accurately within agreed timescales.

F.12 Registrar records accurately reflect shares and units held by investors and are regularly reconciled to issuer or fund records and relevant third parties with differences investigated and resolved where necessary.

F.13 Share/unit activity is recorded completely, accurately and registry balances are regularly reconciled to fund accounting or issuer records, with differences investigated and resolved where necessary.

Safeguarding assets

F.14 Lost and stolen certificates are recorded within agreed timescales and appropriate controls are applied to prevent unauthorised transfer, cancellation or replacement in accordance with established procedures.

Monitoring compliance

F.15 Transaction errors are identified, notified to clients and share/unit holders in accordance with client agreements and rectified if necessary.

Monitoring subservice organisations¹⁰³

F.16 Appointments of subservice organisations, including those providing registry services are subject to appropriate due diligence and approval prior to commencement of any registry activity.

F.17 Outsourced activities provided by subservice organisations are governed by authorised contracts and service level agreements that define the services to be provided and associated performance standards, which are periodically reviewed to ensure they remain appropriate.

F.18 The services provided by subservice organisations are monitored and assessed against the performance and service standards set out in the service level agreements on an ongoing basis (e.g., reviewing subservice organisation system reports), as well as periodically (e.g., periodic service level meetings with the subservice organisation). Any breaches, service failures or emerging risks are escalated, addressed and remediated in accordance with established issue-management and escalation procedures and reported to the service organisation within agreed timescales.

¹⁰³ Include control objectives for monitoring subservice organisations when the carve-out method is used to deal with subservice organisations. See ASAE 3402, paragraph 9(a) for definition of carve-out method.

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

Reporting to clients

F.19 Client reporting is prepared completely and accurately and provided within required timescales.

Taxation

F.20 Withholding tax for non-residents, or where no TFN/ABN has been provided, is calculated completely, accurately and on a timely basis.

Information technology

See control objectives: **G.1 – G.16**

DRAFT

Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

G. Information Technology

Scope:

The service auditor applies professional judgement to determine when the information technology (IT) control objectives are applicable to an investment management service and should therefore be tested in addition to the control objectives that relate to the specific type of investment management service, as described in sections A-F of this Appendix.

The service auditor's professional judgement is based on:

- the understanding obtained of the risks arising from the service organisation's use of IT (including IT applications¹⁰⁴ and supporting IT infrastructure¹⁰⁵, as well as IT processes¹⁰⁶ and personnel involved in those processes), and the general IT controls implemented to address those risks, and
- the extent to which the achievement of an investment management service control objective, that is being tested, relies on those general IT controls (i.e., can the control objective be met without the general IT controls that are in place).

Examples of risks arising from the use of IT include risks related to inappropriate reliance on IT applications that are inaccurately processing client financial data, processing inaccurate client financial data, or both, such as:

- Unauthorised access to client financial data that may result in destruction of, or improper changes to such data, including the recording of unauthorised or non-existent transactions, or inaccurate recording of transactions.
- The possibility of IT personnel gaining access privileges beyond those necessary to perform their assigned duties thereby breaking down segregation of duties.
- Unauthorised changes to IT applications or other aspects of the IT environment.
- Failure to make necessary changes to IT applications or other aspects of the IT environment.
- Inappropriate manual intervention.
- Potential loss of client financial data or inability to access such data as required.

The service auditor's consideration of unauthorised access may include risks related to unauthorised access by internal or external parties. However, the service auditor is not performing a cybersecurity assessment. The service auditor obtains an understanding of how the service organisation is dealing with cybersecurity risks (as part of operational risks) and evaluates whether such risks have the potential to materially affect financial reporting. If so, the service auditor would evaluate the entity-level controls to prevent cybersecurity incidents or detect incidents when they occur.

Control Objectives:

Restricting access to systems and client financial data

- G.1** Physical access to the data centre(s) hosting the in-scope systems is restricted to authorised individuals.

¹⁰⁴ An IT application is a program or a set of programs that is used in the initiation, processing, recording and reporting of transactions or information. IT applications include data warehouses and report writers.

¹⁰⁵ The IT infrastructure comprises the network, operating systems, and databases and their related hardware and software.

¹⁰⁶ The IT processes are the entity's processes to manage access to the IT environment, manage program changes or changes to the IT environment and manage IT operations.

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- G.2** Logical access (including administrative / privileged access) to in-scope systems and client financial data is restricted to authorised individuals only, through uniquely identifiable user credentials and appropriate authentication mechanisms, based on approved user roles and responsibilities, and is monitored and periodically reviewed for ongoing appropriateness, with access promptly modified or removed when personnel change roles or cease employment.
- G.3** IT logs and system activity data for in-scope systems are generated and retained in accordance with defined requirements, and are monitored and periodically reviewed to detect, identify, and investigate unusual or unauthorised activity.

Maintaining integrity of the systems

- G.4** Transmission and processing of client financial data is complete, accurate, secure and within agreed timescales.
- G.5** The physical IT equipment is maintained in a controlled environment (Refer to Monitoring subservice organisations section below, where IT equipment is maintained by a third-party provider).

Maintaining and developing systems hardware and software

- G.6** Development and implementation of both in-house and third-party in-scope systems, and changes to existing in-scope systems (including hardware upgrades, software patches and direct configuration changes) are authorised, tested, and approved in line with policy.
- G.7** Client financial data migration or modification is authorised, tested and, once performed, reconciled back to the source data.

Recovering from processing interruptions

- G.8** Business continuity and IT related Disaster Recovery Plans are documented, updated, approved and tested periodically and testing outcomes are tracked to close.
- G.9** In-scope systems and client financial data are backed up periodically, segregated from production, and tested such that they can be restored completely and within agreed timescales.
- G.10** Incidents relating to in-scope systems and client financial data are identified and resolved and notified (where applicable) within agreed timescales.

Monitoring compliance

- G.11** IT services provided to clients are approved, managed and performance thresholds met in accordance with the requirements of the client agreement.
- G.12** Cybersecurity incidents that affect, or have the potential to affect, the integrity, availability or accuracy of client financial data within in-scope systems are detected, escalated, investigated and remediated within agreed timescales, and regulatory reporting obligations arising from the incident are fulfilled.

Monitoring subservice organisations¹⁰⁷

- G.13** Appointment of subservice organisations, including those providing IT services, are subject to appropriate due diligence and approval prior to commencement of any IT related activity.

¹⁰⁷ Include control objectives for monitoring subservice organisations when the carve-out method is used to deal with subservice organisations. See ASAE 3402, paragraph 9(a) for definition of carve-out method.

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- G.14** Outsourced activities provided by subservice organisations are governed by authorised contracts and service level agreements that define the services to be provided and associated performance standards, which are periodically reviewed to ensure they remain appropriate.
- G.15** The services provided by subservice organisations are monitored and assessed against the performance and service standards set out in the service level agreements on an ongoing basis (e.g., reviewing subservice organisation system reports), as well as periodically (e.g., periodic service level meetings with the subservice organisation). Any breaches, service failures or emerging risks are escalated, addressed and remediated in accordance with established issue-management and escalation procedures and reported to the service organisation within agreed timescales.

Illustrative supplementary control objectives:**Recovering from processing interruptions**

- G.16** Performance and capacity of in-scope systems are forecasted and monitored and issues are resolved.

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Appendix 4

(Ref: Para. 69)

SERVICE AUDITOR'S TYPE 2 ASSURANCE REPORT

Independent Service Auditor's Assurance Report on the Description of Controls over [Investment Management Service], their Design and Operating Effectiveness

To: XYZ Service Organisation

Scope

We have been engaged to report on XYZ Service Organisation's (XYZ) description at pages [bb-cc] of its [specify investment management service: custody, asset management, property management, superannuation member administration, investment administration or registry] system provided to XYZ's clients throughout the period [date] to [date] (the description), and on the design and operations of those controls related to the control objectives stated in the description.¹⁰⁸

XYZ's Responsibilities

XYZ is responsible for: preparing the description and accompanying assertion at page [aa], including the completeness, accuracy and method of presentation of the description and assertion; providing the [investment management service/s] covered by the description; stating the control objectives, including relevant controls objectives for [investment management service/s] as outlined in AUASB Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*, and designing, implementing and effectively operating controls to achieve the stated control objectives.

Service Auditor's Responsibilities

Our responsibility is to express an opinion on XYZ's description and on the design and operation of controls related to the control objectives stated in that description based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation* and with reference to Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*. ASAE 3402 requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed and operating effectively.

An assurance engagement to report on the description, design and operating effectiveness of controls at a service organisation involves performing procedures to obtain evidence about the disclosures in the service organisation's description of its system, and the design and operating effectiveness of controls. The procedures selected depend on our judgement, including the assessment of the risks that the description is not fairly presented, and that controls are not suitably designed or operating effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the control objectives stated in the description were achieved. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the objectives stated therein, and the suitability of the criteria specified by the service organisation and described at page [aa]. In evaluating the suitability of the objectives stated in the description, we have determined whether each of the minimum control objectives provided in GS 007 for [investment management service/s] is included, or, if any of the minimum objectives are omitted or amended, that the reason for the omission or amendment is adequately disclosed in the description.

¹⁰⁸ If some elements of the description are not included in the scope of the engagement, this is made clear in the assurance report.

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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Limitations of Controls at a Service Organisation

XYZ's description is prepared to meet the common needs of a broad range of clients and their auditors and may not, therefore, include every aspect of the system that each individual client may consider important in its own particular environment. Also, because of their nature, controls at a service organisation may not prevent or detect all errors or omissions in processing or reporting transactions. Also, the projection of any evaluation of effectiveness to future periods is subject to the risk that controls at a service organisation may become inadequate or fail.

Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion are those described at page [aa]. In our opinion, in all material respects:

- (a) the description fairly presents the [investment management service] system as designed and implemented throughout the period from [date] to [date];
- (b) the controls related to the control objectives stated in the description were suitably designed throughout the period from [date] to [date]; and
- (c) the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from [date] to [date].

Description of Tests of Controls

The specific controls tested and the nature, timing and results of those tests are listed on pages [yy-zz].

[Other information]

The information included in [pages/section] describing the service organisation's [identify aspects not covered by the assurance report] is presented by the service organisation to provide additional information and is not part of the service organisation's description of control activities that may be relevant to user entities' internal control. Our opinion does not cover this information, and we do not express any form of opinion thereon. However, we read the information and, in doing so, consider whether the information is materially inconsistent with the description or our knowledge obtained in the audit, or otherwise appears to be materially misstated.]

Intended Users and Purpose

This report and the description of tests of controls on pages [yy-zz] are intended only for clients who have used XYZ's [investment management service] system, and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by clients themselves, when assessing the risks of material misstatements of clients' financial reports/statements.

[Service auditor's signature]

[Date of the service auditor's assurance report]

[Service auditor's address]

Appendix 5

(Ref: Para. [...])

TYPES OF OPINIONS

Unmodified service auditor's opinion:

No exceptions

The service auditor issues a service auditor's report with an unmodified opinion where sufficient appropriate audit evidence has been obtained to reasonably conclude, in all material respects, on the fairness of service organisation's description of the control activities, the suitability of the design, implementation and operating effectiveness of the control activities.

Not material exceptions

Where exceptions relating to the tests of operating effectiveness of control activities are identified, an unqualified opinion may still be issued by the service auditor where such exceptions fall within acceptable parameters determined by the service auditor. I.e., the exceptions are, individually and in aggregate, neither material to the achievement of the control objective nor pervasive to the service organisation or the control activities being performed.

In such circumstances, the service auditor describes the nature and extent of the exceptions in the appendix to the service auditor's report as part of the results of the testing performed.

Not-applicable control objective

Where the service auditor is unable to opine on a control objective, or part thereof, because one or more related control activities were not required to operate during the reporting period (i.e., an event-driven control activity, for example, data migrations and new client take-on), the service auditor explains that the control objective is not applicable in the appendix to the service auditor's report as part of the results of the testing performed.

Depending on the circumstances, the service auditor may consider it appropriate to include additional communication in the assurance report, which draws the user auditor's attention to fact that the control objective was not applicable during the reporting period. As required by ASAE 3000 (Revised)¹⁰⁹, such a paragraph is clearly separated from the service auditor's opinion and written in such a way that the paragraph does not detract from that opinion.

Where a control objective is not-applicable, management and those charged with governance also add a corresponding explanatory paragraph in the written representation. In such circumstances, the service auditor makes appropriate enquiries to satisfy itself that the control activities did not operate during the reporting period.

Qualified service auditor's opinion:

Material exceptions

The service auditor issues a service auditor's report with a qualified opinion when either:

- The service auditor is unable to obtain sufficient evidence to conclude, in all material respects, on the matters within the scope of the engagement i.e., fairness of presentation, suitability of design and operating effectiveness of the control activities; or

¹⁰⁹ ASAE 3000 (Revised) paragraph 68 on Emphasis of Matter (EoM) and Other Matter (OM) paragraphs. The service auditor may also find ASA 706 (Revised) useful as it provides detailed requirements and guidance to an auditor of an entity's financial statements on deciding whether it is appropriate to include an EoM or OM paragraph, the location of such a paragraph in the auditor's report and standard phrases to use.

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- The service auditor, based on the evidence obtained, concludes that, in all material respects, the matters within the scope of the engagement i.e., fairness of presentation, suitability of design and operating effectiveness of the control activities are not in accordance with the relevant control objectives (or criteria).

The following circumstances may therefore give rise to a qualified service auditor's report:

- Where there are omissions or errors in respect of the control objectives;
- Where there are material exceptions in relation to the fair presentation of control activities;
- Where there are material exceptions in relation to the design suitability of control activities; and
- Where material exceptions are identified in relation to the operating effectiveness of control activities. For example, where a control objective is not met but does not impact on the achievement of other control objectives which may be considered to have a pervasive effect.

Adverse service auditor's opinion

Material and Pervasive exceptions

Where the service auditor, having obtained sufficient and appropriate evidence, concludes that misstatements, omissions or exceptions (whether individually or in aggregate) are both material and pervasive to the control objectives as a whole, the service auditor issues a service auditor's report with an adverse opinion.

Exceptions may be considered pervasive where the ineffective design or operation of the impacted control activities and control objectives causes the overall system of control to not operate effectively. For example, where the exceptions result in a control objective that underpins the achievement of one or more other control objectives not being met.

Service auditor's disclaimer of opinion

Material and Pervasive exceptions

The service auditor disclaims an opinion when they are unable to obtain sufficient appropriate audit evidence on which to base an opinion and the service auditor concludes that the possible effects of the undetected misstatements on the matters within the scope of the engagement, could be both material and pervasive.

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Appendix 6

(Ref: Para. 99)

SERVICE AUDITOR'S DESCRIPTION OF THE NATURE, TIMING AND EXTENT OF TESTS APPLIED TO CONTROLS

The description does not duplicate the service auditor's detailed assurance programme, since that would provide more than the appropriate level of detail. There is no standardised format for presenting a description of tests applied to controls, however the following elements are ordinarily included in the description:

1. The service organisation's control objectives.
2. The service organisation's control activities to meet each control objective.
3. Assessment of the fair presentation of the description, including:
 - (a) identification of any inadequacies, omissions or inaccuracies in the description of control objectives;
 - (b) identification of any inaccuracies in the description of controls, as designed and implemented.
4. Assessment of the suitability of the design, including identification of any inadequacies in the design of the controls to achieve their stated objectives.
5. The tests performed for each control activity, including the procedures performed to determine the completeness and accuracy of the population from which items were selected for testing.
6. The results of each of those tests on a control activity by control activity basis, including the inability to test a control activity.
7. The conclusions reached by the service auditor.

The diagram below illustrates an example tabular layout to present this information alongside the description prepared by management and indicates the ownership for each of these inputs. Management's response to exceptions have been included as a separate column in this example for illustrative purposes only and to indicate one option of how the service auditor could make it clear that the information is unaudited. The information may also be presented in a separate section to the type 2 report. This illustration does not include details of the process description that provides context for the operation of the Control Activities.

Control Objective #3.5	Cash and investment positions are completely and accurately recorded		
Control Activity	Description of test procedures performed	Result of testing and conclusion reached	Management's response to exceptions identified (unaudited information)
3.5.1 On a daily basis, cash records per the administration system are reconciled to custodian bank records using an automated reconciliation system. Teams resolve the exceptions and annotate the exceptions report with explanations and/or actions taken to resolve each item.	For a selection of days, obtained electronic copies of the exceptions report from the reconciliation system and inspected the annotations made by the operations team of explanations for, and/or actions taken to resolve, each item. For a selection of exceptions, inspected evidence of supporting documentation being retained for actions taken.	No exceptions noted.	Not applicable

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Control Objective #3.5	Cash and investment positions are completely and accurately recorded		
Control Activity	Description of test procedures performed	Result of testing and conclusion reached	Management's response to exceptions identified (unaudited information)
Reconciling items are reported on an exceptions report.			
3.5.2 On a daily basis, the client administration manager reviews the reconciliation exceptions report for evidence that all exceptions have been explained and/or resolved. This review is evidenced by electronic sign off on the exceptions report, copies of which are archived in the reconciliation system.	For a selection of days, obtained electronic copies of the exceptions report from the reconciliation system and inspected the electronic signature of the client administration manager as evidence of review.	Exception noted: For one out of a selection of 30 days, there was no evidence of sign off by the client administration manager on the electronic copy of the reconciliation exceptions report. No other exceptions noted.	[We acknowledge the exception...]
Control Objective 4.1	New accounts are set up completely and accurately in accordance with client agreements and any applicable regulations		
4.1.1 [insert control activity]	We did not perform any procedures over the control activities as there were no new clients during the period [insert dates].	Not applicable	Not applicable

Service organisation responsibility for completion

Service auditor responsibility for completion

The paragraphs that follow, outlines further information on the service auditor's description of the nature of the tests performed.

Nature

In describing the nature of tests carried out, it is desirable for the service auditor to define what is meant by such procedures as enquiry, inspection, observation and re-performance. Illustrative definitions, which may assist the service auditor in this regard are set out below.

Enquiry

Enquired of [XYZ] personnel. Enquiries seeking relevant information or representation from personnel were performed to obtain, among other things:

- Knowledge, additional information and affirmation regarding the control activities.
- Corroborating evidence of the control activities.

Observation

Observed the application or existence of specific control activities as represented.

Inspection

Inspected documents and records indicating performance of the control activities. This included, among other things:

- Inspection of reconciliations and management reports that age and/or quantify reconciling items to assess whether balances and reconciling items appear to be monitored, controlled and resolved on a timely basis, as required by the related control activity.

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- Examination of source documentation and authorisations related to selected transactions processed.
- Examination of documents or records for evidence of performance, such as the existence of initials or signatures.
- Inspection of systems documentation, such as operations manuals, flow charts, and job descriptions.

Re-performance:

Re-performed the control activity or processing application of the control activities to check the accuracy of their operation. This included, among other things:

- Obtaining evidence of the arithmetical accuracy and correct processing of transactions by performing independent calculations.
- Re-performing the matching of various system records by independently matching the same records and comparing reconciling items to reconciliations prepared by the service organisation.

Appendix 7

(Ref: Para. 86 and 89)

EXAMPLES OF SERVICE AUDITOR'S REPORTS ON FINANCIAL INFORMATION

The following example service auditor's reports are for use as a guide only, in conjunction with the considerations described in this Guidance Statement, and will need to be varied according to individual requirements and circumstances.

Example 1: A service auditor's report to the engaging party on the audit of specified assertions of the user entity's assets, liabilities or transactions in a financial statement prepared by a service organisation.

Example 2: A service auditor's report to the engaging party on the audit of a financial statement of the user entity's assets, liabilities or transactions prepared by a service organisation.

Example 1: Service Auditor's Report on Specified Assertions

Independent Auditor's Report

To [the engaging party]¹¹⁰

Report on Specified Assertions of Assets [and liabilities or transactions] in the Statement¹¹¹

We have audited the [specify assertions audited]¹¹² of the assets [and liabilities or transactions] of the accompanying [title of financial statement] ("the Statement"), which comprises the [statement of assets and liabilities] as at [date], and the [statement of transactions] for the year then ended, concerning the assets [and liabilities or transactions] of [user entity]¹¹³ for which XYZ Service Organisation (XYZ) provides [specify investment management service provided: custody, asset management, property management, superannuation member administration, investment administration or registry] services, set out on pages [bb] to [cc].¹¹⁴ The Statement has been prepared by management of XYZ using the basis of preparation described in Note X.

XYZ Management's Responsibility for the Statement

XYZ is responsible for [investment management service] on behalf of [user entity]. Management of XYZ is responsible for the preparation and fair presentation of the Statement in accordance with [specify framework applied]¹¹⁵ and has determined that the accounting policies described in Note X to the Statement are appropriate to meet the financial reporting requirements of the [title of contract or service level agreement] and are appropriate to meet the needs of [user entity]. Management is also responsible for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the [specify assertions audited] in respect of the assets [and liabilities or transactions] in the accompanying Statement, based on our audit. We conducted our

¹¹⁰ Insert name of user entity or the name of the engaging party, if other than the user entity.

¹¹¹ The subheading "Report on the Statement" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

¹¹² Insert specified assertions audited:

- for transactions or events: occurrence, completeness, accuracy, cut-off and classification;
- for balances: existence, rights and obligations, completeness or valuation and allocation; or
- for presentation and disclosure: occurrence, rights and obligations, completeness, classification and understandability and accuracy and valuation.

¹¹³ Where the assets are held in the name of a nominee holding company insert "held in the name of [nominee holding company]".

¹¹⁴ When the auditor is aware that the Statement will be included in a document that contains other information, the auditor may consider, if the form of the presentation allows, identifying the page numbers on which the Statement is presented.

¹¹⁵ Insert "applicable Australian Accounting Standards" where multiple Australian Accounting Standards were applied; insert reference to specific Australian Accounting Standard where appropriate (for example: "in accordance with the measurement standards of AAS 25 *Financial Reporting by Superannuation Plans*."); or "the accounting policies described in Note X to the Statement".

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audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the assets [and liabilities or transactions] set out in the Statement are free of material misstatement in respect of the specified audit assertions.

An audit of the [specify assertions audited] of the assets [and liabilities or transactions] in the Statement involves performing procedures to obtain audit evidence that the assets [and liabilities or transactions] set out in the Statement [insert relevant assertion: for example for existence insert “exist as at [date]” or for valuation insert: “have been appropriately valued in accordance with [specify framework]”]. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the Statement in relation to the specified assertions, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the [specify assertions audited] of the assets [and liabilities or transactions] in the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of XYZ’s internal control.¹¹⁶ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management of XYZ with respect to the [specified assertions] of the assets [and liabilities or transactions].

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

[Insert either:

No uncorrected misstatements, other than amounts which are clearly trivial, have been identified during the course of our audit; or

Uncorrected misstatements, other than amounts which are clearly trivial, which, have come to our attention during the course of our audit and are not material individually or in aggregate in relation to the [specify assertions audited] in respect of the assets [and liabilities or transactions] in the accompanying Statement but may be material when aggregated with any uncorrected misstatements identified by [user entity]’s auditor, are listed in an attachment to this report. These uncorrected misstatements do not affect our audit opinion.]

Opinion

In our opinion, the Statement presents fairly, in all material respects, the [specify assertions audited] of the assets [and liabilities or transactions] of [user entity], for which XYZ provides [investment management service] services, as of [date] in accordance with [specify framework].

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the Statement, which describes the basis of accounting. The Statement has been prepared by XYZ for distribution to the [the Trustee/those charged with governance] of [user entity]. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for XYZ, [user entity] and their auditor and should not be distributed to any other parties or used for any other purpose other than that for which they are prepared.¹¹⁷

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s report will vary depending on the nature of the auditor’s other reporting responsibilities].

¹¹⁶ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the specified assertions of the assets [and liabilities or transactions] in the Statement, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the [specify assertions audited] of the assets [and liabilities or transactions] in the Statement in order to design audit procedures that are appropriate in the circumstances.”

¹¹⁷ Use of the report and liability limitation: insert additional/alternative wording, if any, required to reflect any liability arrangements agreed between the service auditor, the service organisation and other users, including confirmation of the purpose for which the service auditor’s report has been prepared and the basis on which other parties may use the report.

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[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Attachment: Uncorrected Misstatements]¹¹⁸

In the course of conducting our audit procedures at XYZ for the purpose of reporting on [specific assertions] we have identified the following uncorrected misstatements, other than amounts which are clearly trivial, which were determined by [management/those charged with governance] to be immaterial, both individually and in aggregate, to the [specific assets and liabilities or transactions] taken as a whole. These misstatements are reported solely for the purpose of providing information to clients of XYZ and their auditors and they do not affect our audit opinion:

[Insert: List of uncorrected misstatements]

¹¹⁸ Include attachment where uncorrected misstatements were identified.

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Example 2: Service Auditor's Report on a Statement

INDEPENDENT AUDITOR'S REPORT

To [the engaging party]¹¹⁹

Report on the Statement¹²⁰

We have audited the accompanying [title of financial statement] ("the Statement"),¹²¹ which comprises the [statement of assets and liabilities] as at [date], and the [statement of transactions] for the year then ended, concerning the assets [and liabilities or transactions] of [user entity]¹²² for which XYZ Service Organisation (XYZ) provides [specify investment management services provided: custody, asset management, property management, superannuation member administration, investment administration or registry] services set out on pages [bb] to [cc].¹²³ The Statement has been prepared by management of XYZ on the basis of preparation described in Note X.

Management's¹²⁴ Responsibility for the Statement

XYZ is responsible for [investment management service] on behalf of [user entity]. Management of XYZ is responsible for the preparation and fair presentation of the Statement in accordance with [specify framework]¹²⁵ and has determined that the accounting policies described in Note X to the Statement are appropriate to meet the financial reporting requirements of the [title of contract or service level agreement] and are appropriate to meet the needs of [user entity]. Management is also responsible for such internal control as management determines is necessary to enable the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit of the Statement involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to XYZ's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of XYZ's internal control¹²⁶. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the Statement.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

[Insert either:

¹¹⁹ Insert name of user entity or the name of the engaging party, if it is not the user entity.

¹²⁰ The subheading "Report on the Statement" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

¹²¹ If certain assertions are specifically excluded from the audit then insert: "except for [specify assertions excluded, e.g. presentation and disclosure] of the Statement."

¹²² Where the assets are held in the name of a nominee holding company insert "held in the name of [nominee holding company]."

¹²³ When the auditor is aware that the Statement will be included in a document that contains other information, the auditor may consider, if the form of the presentation allows, identifying the page numbers on which the Statement is presented.

¹²⁴ Insert the title of those charged with governance, e.g. directors/trustees/committees. For example, "Director's Responsibility for the Statement". Insert appropriate title, when prompted, throughout the report.

¹²⁵ Insert "applicable Australian Accounting Standards" where multiple Australian Accounting Standards were applied; insert reference to specific Australian Accounting Standard where appropriate (for example: "in accordance with the measurement standards of AAS 25 *Financial Reporting by Superannuation Plans.*") or "the accounting policies described in Note X to the Statement".

¹²⁶ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the Statement, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to XYZ's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances."

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No uncorrected misstatements, other than amounts which are clearly trivial, have been identified during the course of our audit; or

Uncorrected misstatements, other than amounts which are clearly trivial, which have come to our attention during the course of our audit and are not material individually or in aggregate in relation to the Statement, but may be material when aggregated with any uncorrected misstatements identified by [user entity]'s Auditor, are listed in an attachment to this report. These uncorrected misstatements do not affect our audit opinion.]

Opinion

In our opinion, the attached Statement presents fairly, in all material respects, the assets [and liabilities] of [user entity] as of [date] and transactions for the [period] then ended, for which XYZ provides [investment management service] services, in accordance with the basis of accounting described in Note X.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the Statement, which describes the basis of accounting. The Statement has been prepared by XYZ for distribution to the [the Trustee/those charged with governance] of [user entity]. As a result, the Statement may not be suitable for another purpose. Our report is intended solely for XYZ, [user entity] and their auditor and should not be distributed to any other parties or used for any other purpose other than that for which they are prepared.¹²⁷

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Attachment: Uncorrected Misstatements]¹²⁸

In the course of conducting our audit procedures at XYZ Service Organisation for the purpose of reporting on [the Statement] we have identified the following uncorrected misstatements, other than amounts which are clearly trivial, which were determined by [management/those charged with governance] to be immaterial, both individually and in aggregate, to the [specific assets and liabilities or transactions/Statement] taken as a whole. These misstatements are reported solely for the purpose of providing information to clients of XYZ and their auditors and they do not affect our audit opinion:

[Insert: List of uncorrected misstatements]

¹²⁷ Use of the report and liability limitation: insert additional/alternative wording, if any, required to reflect any liability arrangements agreed between the service auditor, the service organisation and other users, including confirmation of the purpose for which the service auditor's report has been prepared and the basis on which other parties may use the report.

¹²⁸ Include attachment where uncorrected misstatements were identified.

Joint Project Plan

Project Title:	Revision of Explanatory Guidance EG Au8 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> (New Zealand version) and Guidance Statement GS 007 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> (Australian version)
Date Prepared:	29 April 2025
Prepared By:	Rajen Pillay and Thinus Peyper (15 May 2025)

Overview of Project

Information Gathering/Background

GS 007 was first issued in March 2008 and subsequently updated and reissued on 25 October 2011 by the AUASB. EG Au8 was issued in September 2013 by the NZAuASB.

Feedback from audit firms and regulators highlighted that the audit landscape has evolved since EG Au8 and GS 007 (the guidance) were last issued for example, changes in auditing standards, and changes in technology and its use by entities. Therefore, the current versions of the guidance require revisions to align it with current practice. Further details are noted under the project scope area below.

Consistent with the Principles of harmonisation of New Zealand and Australian Standards, the NZAuASB and AUASB (the boards) will work jointly on revising the guidance to achieve consistency where appropriate across jurisdictions.

At the AUASB Board meeting in November 2024, it was agreed that Klynton Hankin (a current AUASB Board Member) will be the project sponsor for the revision of the guidance. A subsequent meeting was held with him in December 2024 to get a brief overview of the issues with the application of GS 007 and to inform the scope of the project. The issues have been further informed by input from Project Advisory Group (PAG) members, before and during an initial PAG meeting on 2 April 2025.

Stakeholder engagement

The guidance is widely used in the investment management services industry. Key stakeholders impacted by the revision are:

- service/subservice organisations that provide investment management and related services to the superannuation and wealth management industry and their auditors providing assurance on the design and effective operation of relevant controls; and



- user entities (e.g. managed schemes, responsible entities, registrable superannuation entities and RSE licensees/trustees) and the auditors of their financial reports.

It is also expected that there will be ongoing discussions with the FMA and ASIC which regulate financial reports and audits.

An Australian stakeholder group from whom input may be sought, is the Australian Custodial Services Association, an industry body representing members of Australia's custodial and investment administration sector.

XRB staff will also endeavour to seek input from any relevant stakeholder groups in New Zealand, as the revision progress.

Scope

Project Objective

To review and revise the guidance for key issues with its application by auditors of financial reports of entities in the investment management and superannuation industry.

Project Scope

The application section of the guidance has been retained. The guidance is provided to:

- (i) user auditors of a financial report of a user entity which uses a third-party service organisation to provide investment management services; and
- (ii) service auditors of those service organisations who provide reports on controls (or financial information) which may be used as audit evidence in the audit of the user entity's financial report.

To meet the project objective this project will address the application issues with the current guidance having regard to feedback from audit firms and practitioners that undertake audit work in the investment management services industry.

The application issues to be addressed are outlined in the **Appendix** to this project plan identified by the PAG chair and members. These issues will be refined as we progress with the review.

The review of the guidance and the approach to deal with issues identified will be informed by a review of guidance/practices in the US and UK (i.e. SSAE 18 in the US (2017) and ICAEW 01/20 AAF in the UK (2020)), and possibly other jurisdictions.

Issues Out of Scope of this project

The project is confined to the use of service organisations in the context of a financial report audit. The update will not cover, for example, sustainability reporting and associated value chain reporting by service organisations. This could be addressed as a separate project at a future date.

Project Governance

PAG

To assist the Boards with this project, a PAG was formed to advise on the development of proposed amendments to the guidance. The PAG comprises member representatives from the largest audit firms from New Zealand and Australia. The PAG Chair is Klynton Hankin.

The Boards sought nominations of suitably experienced individuals to serve on the PAG. Following AUASB protocols, the AUASB Chair made the final decision on selecting PAG members to ensure appropriate representation on the PAG. XRB staff was also consulted in making his decision.

Targeted Implementation Date

The reporting period targeted is years ending 30 June 2026 and later. It is planned to provide a final draft in February/March 2026 for review and approval by the Boards (refer action plan below).

Risks/Issues

Risk/Issue to meeting project objective	Planned Mitigation Activities
Scope not well defined – “scope creep”	Discussions at the PAG and the Boards (including approval of this project plan) to clearly define scope
Amendments go beyond or are not consistent with the underlying requirements in the auditing and assurance standards	Review by the PAG and the Boards

Action Plan

Action plan steps outlined in the table below.

Date	NZAuASB Timing	Date	Description/AUASB timing
18 Feb 2025	Initial NZAuASB Discussion	14 Feb 2025	Initial discussion AUASB staff
2 April 2025	Project scope issues discussed at 1 st PAG meeting – inform plan	2 April 2025	Joint project same timing
9 April 2025	NZAuASB updated on project progress and scope	-	-
4 June 2025	Plan approval by NZAuASB Board	14 May 2025	Plan approval by AUASB Board
3 April to Dec 2025	Project work undertaken and ongoing PAG review		Joint project same timing
Jan/Feb 2026	Early draft of the guidance for PAG review		Joint project same timing
Feb/Mar 2026	Final draft of the guidance to NZAuASB Board for review/approval	Feb/Mar 2026	Final draft of the guidance to AUASB Board for review/approval

Communication with stakeholders

The necessary protocols of the Boards will be followed to issue updated non-authoritative pronouncements.

Appendix

Project scope issues are detailed in the table below. This is subject to further consideration/refinement during the PAG process.

	Issues / Observations	Related Action / Response
A. Subservice organisations		
1	<p>Subservice organisations (SSO) and the inconsistent application of the carve-out method. Where carve-out is applied some principles-based guidance is needed, including:</p> <ul style="list-style-type: none"> • Initial risk assessment procedures to justify why SSO is carved out. • Monitoring of controls by the service organisation to evidence design and operating effectiveness of controls at the SSO to support a conclusion regarding achievement of the in-scope objectives. • Adequacy of reporting around control objectives/controls by service/subservice organisation? • Consideration of ability to obtain sufficient appropriate audit evidence on the relevant control objectives where there are carved out SSOs. 	
2	<p>Limitations on user auditor access to SSOs where controls are at the SSO rather than the service organisation.</p> <ul style="list-style-type: none"> • Consider whether guidance may be useful for SSOs that are considered significant and the absence of a contractual relationship between the user entity and the SSO – linking into issue 1 above on risk assessments and possible carve out (e.g. superannuation fund audits)? 	
B. Gap periods		
3	<p>Gaps in time periods between:</p> <p>(i) service organisations relying on subservice organisations; and</p> <p>(ii) service organisations and user entity financial reporting year end.</p> <p>Applying a risk lens, clarity on the nature and extent of additional audit procedures that could be used by user/service auditor to address:</p> <ul style="list-style-type: none"> • Coverage of a gap period and over what duration; • Risk considerations around duration of the gap, nature of the control and system changes; and the criticality of the service provider to the subject matter; and • Consider regulatory requirements / expectations i.e. FMA and ASIC. <p>For example, consideration may be given to the impact of the combination of:</p> <ul style="list-style-type: none"> • the gap period at a subservice organisation; and • the time lag between the date of the report from the service organisation auditor and the balance date of the entity subject to audit. 	

	Issues / Observations	Related Action / Response
C. Nature and extent of controls testing (and related considerations)		
4	<p>Clarity on requirements for evidencing the extent of controls testing (including IT dependencies) on the following.</p> <ul style="list-style-type: none"> • The extent of testing on automated controls or key reports, and IT dependent manual controls? Can it be assumed that service auditor has tested the IT dependency for report generation and completeness and accuracy of the source population as part of an IT dependent manual control or should this be set out in the service auditor’s assurance report? • Where control samples are selected from a population, what testing has been performed over the completeness and accuracy of the population. <p>NB: Further clarity around definition of:</p> <ul style="list-style-type: none"> • in-scope IT systems underpinning reporting (and therefore subject to Section G IT controls) • the key reports subject to controls/substantive testing. 	
5	<p>Are controls described at too high a level leading to inconsistency in interpretation (including Section G IT controls).</p> <ul style="list-style-type: none"> • Do descriptions need to be more specific and more clearly articulated (e.g. details of precision of review controls, in-scope systems tested)? • Need for further guidance over description of controls (including examples). 	
6	<p>Should service organisation auditors provide clarity on the approach to determining sample sizes, provide sample sizes in reports and reference the frequency of testing for each control with the report? Alternatively, should reliance be placed on the professional judgement of the service organisation auditor.</p> <ul style="list-style-type: none"> • Some base line level of sampling might be included in the guidance. • This would exclude how auditors should determine sample sizes. 	
7	<p>Extent to which roll forward test procedures are performed over differing period ends, and whether and how this is disclosed in service organisation auditor reports. It may be appropriate to draft based on UK guidance AAF 01/20.</p>	
D. Other areas of challenge		
8	<p>Use of EoM (emphasis of matter) paragraphs when controls exist but were not required to operate within the period (e.g. controls over client acceptance where no new clients were accepted during the period).</p> <ul style="list-style-type: none"> • Clarifying when and how such matters should be reported is seen as important for consistency and for informing the user auditor’s conclusions. 	

	Issues / Observations	Related Action / Response
9	<p>Expectations on interaction between user auditor and service auditor having regard to likely report content, particularly where the report will be received late in the audit.</p> <ul style="list-style-type: none"> • Communication throughout to avoid surprises when final report is received. • Timing of the receipt of the controls report to allow sufficient time for the user entity auditor to use the evidence it contains prior to completion of the user entity's audit. Further procedures may be required for opinion modifications and/or deviations reported, as well as seeking more clarity on the controls tested, etc. • Clarifying the expectations regarding findings and qualification – any additional information required to be included in the report or to support the report to assist user entity auditors or auditors of the service organisation • Disclosure of procedures undertaken to determine completeness and accuracy of population where completed? 	
10	<p>Section G control objectives (EG AU 8 / GS 007) – while EG AU 8 / GS 007 is focused on the impact on financial reporting, EG AU 8 / GS 007 might include a statement that service organisation reports may also need to address controls to address operational resilience or other matters reporting required by regulatory bodies. This could include business continuity plans and cyber-security. However, guidance on these matters would remain outside the scope of EG AU 8 / GS 007.</p>	
11	<p>Consider covering emerging service providers in addition to custodians and fund administrators.</p>	

Exposure Draft

Proposed International Standard on
Review Engagements 2410
(Revised)

*Review of Interim
Financial Information
Performed by the
Independent Auditor of
the Entity's Annual
Financial Statements*

MAY 2026

COMMENTS DUE: SEPTEMBER 3, 2026



IAASB™

International Auditing and Assurance Standards Board
AN IFEA BOARD

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The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

**PROPOSED INTERNATIONAL STANDARD ON REVIEW
ENGAGEMENTS (ISRE) 2410 (REVISED)**

**REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY
THE INDEPENDENT AUDITOR OF THE ENTITY'S ANNUAL
FINANCIAL STATEMENTS**

(Effective for reviews of interim financial information for periods beginning on or after [DATE])

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Introduction

Scope of this ISRE

1. This International Standard on Review Engagements (ISRE) deals with: (Ref: Para. A1-A2)
 - (a) The responsibilities of the auditor of an entity's annual financial statements when engaged to perform a review of the entity's interim financial information; and
 - (b) The form and content of the auditor's review report on the interim financial information.

The term "auditor" is used in this ISRE because this ISRE applies to a review of interim financial information that is performed by the independent auditor of the entity's annual financial statements ("interim review engagement"), not because the auditor is performing an audit. (Ref: Para. A2)

2. This ISRE is also to be applied, adapted as necessary in the circumstances, when the auditor of the entity's annual financial statements undertakes an engagement to review other historical financial information of the entity.

Review of Interim Financial Information by a Practitioner Who Is Not the Auditor of the Entity's Annual Financial Statements

3. This ISRE does not apply to an engagement to review interim financial information that is performed by a practitioner who is not the auditor of the entity's annual financial statements. Such engagements are performed in accordance with ISRE 2400 (Revised).¹ (Ref: Para. A3-A4)

Relationship with ISQM 1²

4. ISQM 1 deals with a firm's responsibilities to design, implement and operate a system of quality management, and applies to a firm's interim review engagements. This ISRE is premised on the basis that the firm is subject to ISQM 1 or to national requirements that are at least as demanding as ISQM 1. (Ref: Para. A5)

An Interim Review Engagement

5. An interim review engagement is a limited assurance engagement, as described in the *International Framework for Assurance Engagements* (Assurance Framework).³
6. In an interim review engagement, the auditor expresses a conclusion designed to enhance the degree of confidence of intended users about an entity's interim financial information, prepared by management in accordance with an applicable financial reporting framework. The auditor's conclusion is based on obtaining limited assurance about whether the interim financial information as a whole is free from material misstatement. The auditor performs review procedures to obtain sufficient appropriate evidence as the basis for the limited assurance conclusion. (Ref: Para. A6-A8)

¹ ISRE 2400 (Revised), *Engagements to Review Historical Financial Information*

² International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

³ International Framework for Assurance Engagements, paragraphs 15 and 16

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7. If the auditor becomes aware of a matter that causes the auditor to believe the interim financial information may be materially misstated, this ISRE requires the auditor to design and perform additional procedures, as considered necessary in the circumstances, to be able to express a limited assurance conclusion on the interim financial information in accordance with this ISRE.

Difference from an Audit of Financial Statements

8. An interim review engagement differs significantly from an audit conducted in accordance with International Standards on Auditing (ISAs). An audit of the entity's annual financial statements is a reasonable assurance engagement⁴ in which the auditor obtains sufficient appropriate audit evidence as a basis for expressing an opinion about whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.
9. In contrast to an audit, an interim review engagement is not designed to obtain reasonable assurance. The procedures the auditor performs in an interim review engagement vary in nature and timing from, and are less in extent than, those performed in an audit. Consequently, an interim review engagement does not enable the auditor to become aware of all significant matters that might be identified in an audit. Accordingly, the level of assurance obtained in an interim review engagement is substantially lower than in an audit. Therefore, an interim review engagement does not provide a basis for expressing an audit opinion about whether the interim financial information is free from material misstatement.

Effective Date

- 10 This ISRE is effective for reviews of interim financial information for periods beginning on or after [date].

Objectives

11. In conducting a review of interim financial information, the objectives of the auditor are:
- (a) To obtain limited assurance about whether the interim financial information as a whole is free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express a conclusion about whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with an applicable financial reporting framework; and
 - (b) To report on the interim financial information and communicate further as required by this ISRE.
12. When limited assurance cannot be obtained, and a qualified conclusion in the auditor's interim review report is insufficient in the circumstances for purposes of reporting to the intended users, this ISRE requires the auditor to disclaim a conclusion or withdraw from the engagement, where withdrawal is possible under applicable law or regulation. (Ref: Para. A9)

⁴ International Framework for Assurance Engagements, paragraph 14

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Definitions

13. For purposes of this ISRE, the following terms have the meanings attributed below:

- (a) *Analytical procedures*—Evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.
- (b) *Applicable financial reporting framework*—The financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation of interim financial information that is acceptable in view of the nature of the entity and the objective of the interim financial information, or that is required by law or regulation.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the interim financial information, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the interim financial information. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework but does not contain the acknowledgements in (i) or (ii) above.

- (c) *Engagement risk*—The risk that the auditor expresses an inappropriate conclusion when the interim financial information is materially misstated.
- (d) *Inquiry*—Inquiry consists of seeking information of knowledgeable persons from within or outside the entity.
- (e) *Interim financial information*—Historical financial information that is prepared and presented in accordance with an applicable financial reporting framework for a period or periods shorter than the entity’s financial year. (Ref: Para. A8)
- (f) *Limited assurance*—The level of assurance obtained where engagement 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 in accordance with this ISRE. The nature, timing and extent of procedures performed is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the auditor’s professional judgment, meaningful. To be meaningful, the level of assurance obtained by the auditor is likely to enhance the intended users’ confidence about the interim financial information to a degree that is clearly more than inconsequential.

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- (g) *Other information*—Information that is not subject to the interim review engagement and is included, whether by law, regulation, or custom, in a document containing the interim financial information and the auditor's interim review report thereon. (Ref: Para. A10-A11)
 - (h) *Relevant ethical requirements*—Principles of professional ethics and ethical requirements that are applicable to professional accountants when undertaking the interim review engagement. Relevant ethical requirements ordinarily comprise the provisions of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) related to audit and review engagements, together with national requirements that are more restrictive.
 - (i) *Review procedures*—The procedures, primarily inquiries and analytical procedures, deemed necessary to meet the objective of an interim review engagement. (Ref: Para. A82-A83)
14. This ISRE applies to all interim review engagements, including those of a group. The Handbook's Glossary of Terms⁵ (the Glossary) includes certain terms that apply to a group audit engagement. When this ISRE uses terms related to groups that are defined in the Glossary, such terms are intended to be read and applied in the context of a review of the interim financial information of the group performed by the auditor of the group financial statements (a "group interim review engagement"). (Ref: Para. A12)

Requirements

Conduct of an Interim Review Engagement in Accordance with this ISRE

Text of this ISRE

15. The auditor shall have an understanding of the entire text of this ISRE, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A13-A15)

Complying with Relevant Requirements

16. The auditor shall comply with each requirement of this ISRE, unless the requirement is not relevant to the interim review engagement. A requirement is relevant to the interim review engagement when the circumstances addressed by the requirement exist.
17. The auditor shall not represent compliance with this ISRE unless the auditor has complied with all the requirements of this ISRE relevant to the interim review engagement.
18. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in this ISRE. In such circumstances, the auditor shall perform alternative procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the interim review engagement, that procedure would be ineffective in achieving the aim of the requirement. (Ref: Para. A16)

⁵ The Glossary of Terms relating to International Standards issued by the IAASB in the Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements (the Handbook).

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Documentation of a Departure from a Relevant Requirement

19. If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement in this ISRE, the auditor shall document how the alternative procedures performed achieve the aim of that requirement, and the reasons for the departure. (Ref: Para. A16)

Relevant Ethical Requirements

20. The auditor shall comply with relevant ethical requirements, including those related to independence. (Ref: Para. A17-A18)

Professional Skepticism and Professional Judgment

21. The auditor shall plan and perform the engagement with professional skepticism recognizing that circumstances may exist that cause the interim financial information to be materially misstated. (Ref: Para. A19-A23)
22. The auditor shall exercise professional judgment in planning and performing the engagement. (Ref: Para. A24-A27)

Engagement-Level Quality Management

23. The engagement partner shall take overall responsibility for:
- (a) Managing and achieving quality on the engagement, including being sufficiently and appropriately involved throughout the engagement such that the engagement partner has a basis for determining whether the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement; (Ref: Para. A28-A30)
 - (b) The direction and supervision of the members of the engagement team and the review of their work; and
 - (c) The engagement being performed in accordance with the firm's quality management policies or procedures, including: (Ref: Para. A31-A34)
 - (i) Determining that the firm's policies or procedures for the acceptance and continuance of interim review engagements have been followed, and that conclusions reached in this regard are appropriate (see also paragraphs 25-37); (Ref: Para. A35-A39)
 - (ii) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available in a timely manner; (Ref: Para. A40-A41)
 - (iii) Determining that the engagement team collectively has the appropriate competence and capabilities, including sufficient time, to perform the engagement and issue a report that is appropriate in the circumstances;
 - (iv) That appropriate engagement documentation is prepared and maintained; and
 - (v) If an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, not dating the interim review report until completion of the engagement quality review. (Ref: Para. A42-A43)

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24. The engagement partner shall consider the information from the firm's monitoring and remediation process, as communicated by the firm and, if applicable, other network firms, and whether the information may affect the interim review engagement. (Ref: Para. A44)

Acceptance and Continuance of the Interim Review Engagement

Preconditions for Accepting an Interim Review Engagement

25. Prior to accepting an interim review engagement, the auditor shall:
- (a) Determine whether the financial reporting framework to be applied in the preparation of the interim financial information is acceptable; and (Ref: Para. A45-A49)
 - (b) Obtain the agreement of management that it acknowledges and understands its responsibility: (Ref: Para. A50-A51)
 - (i) For the preparation of the interim financial information in accordance with the applicable financial reporting framework, including, where relevant, its fair presentation;
 - (ii) For such internal control as management determines is necessary to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error; and
 - (iii) To provide the auditor with:
 - a. Access to all information of which management is aware that is relevant to the preparation of the interim financial information, such as records, documentation and other matters;
 - b. Additional information that the auditor may request from management for the purpose of the interim review engagement; and
 - c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain evidence.
26. If the preconditions in paragraph 25 are not present, the auditor shall discuss the matter with management or those charged with governance, and determine whether the matter can be resolved. If changes cannot be made to meet the preconditions, the auditor shall not accept the interim review engagement, unless required by law or regulation to do so. However, an engagement conducted under such circumstances does not comply with this ISRE. Accordingly, the auditor shall not include any reference within the auditor's interim review report to the interim review engagement having been conducted in accordance with this ISRE.
27. If it is discovered after the engagement has been accepted that one or more of the preconditions is not present, the auditor shall discuss the matter with management or those charged with governance, and shall determine:
- (a) Whether the matter can be resolved;
 - (b) Whether it is appropriate to continue performing the engagement; and
 - (c) Whether and, if so, how to communicate the matter in the auditor's interim review report.

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Other Factors Affecting Acceptance of the Interim Review Engagement

28. Unless required by law or regulation, the auditor shall not accept an interim review engagement if the auditor is not satisfied that there is a rational purpose for the engagement. (Ref: Para. A52-A53)
29. If management or those charged with governance impose a limitation on the scope of the auditor's work in the terms of the proposed interim review engagement such that the auditor believes the limitation will result in the auditor disclaiming a conclusion on the interim financial information, the auditor shall not accept the engagement, unless required by law or regulation to do so.
30. If the engagement partner obtains information that may have caused the firm to decline the engagement had that information been known by the firm prior to accepting the client relationship or interim review engagement, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.

Additional Considerations When the Wording of the Auditor's Interim Review Report Is Prescribed by Law or Regulation

31. If law or regulation prescribes the layout or wording of the auditor's interim review report, and the layout or wording it prescribes is significantly different from the requirements in paragraph 95 of this ISRE, the auditor shall evaluate:
 - (a) Whether intended users may misunderstand the auditor's limited assurance conclusion; and
 - (b) If so, whether additional explanation in the auditor's interim review report can mitigate the possible misunderstanding.
32. If the auditor concludes that additional explanation in the auditor's interim review report cannot mitigate such a possible misunderstanding, the auditor shall not accept the interim review engagement, unless required by law or regulation to do so. An interim review engagement conducted in accordance with such law or regulation does not comply with this ISRE. Accordingly, the auditor shall not include any reference in the auditor's interim review report to the interim review engagement having been conducted in accordance with this ISRE. (Ref: Para. A183)

Agreeing the Terms of Engagement

33. The auditor shall agree the terms of the interim review engagement with management or those charged with governance, as appropriate, prior to performing the engagement. (Ref: Para. A54)
34. The agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement and shall include: (Ref: Para. A55-A56, A60)
 - (a) The objective and scope of the interim review engagement;
 - (b) Identification of the applicable financial reporting framework to be used for the preparation of the interim financial information;
 - (c) The responsibilities of management and, where appropriate, those charged with governance, including those in paragraph 25(b); (Ref: Para. A57)
 - (d) The responsibilities of the auditor;

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- (e) A statement that the engagement is not an audit, and that the practitioner will not express an opinion on the interim financial information; and
 - (f) A reference to the expected form and content of the auditor's interim review report to be issued, and a statement that there may be circumstances in which the report may differ from its expected form and content.
35. For recurring interim review engagements, the auditor shall evaluate whether the circumstances require the terms of the interim review engagement to be revised, or if there is a need to remind management or those charged with governance, as appropriate, of the existing terms. (Ref: Para. A58)

Change in the Terms of the Interim Review Engagement (Ref: Para. A59)

36. The auditor shall not agree to a change in the terms of the interim review engagement unless there is reasonable justification for doing so. If the auditor is unable to agree to a request to a change in the terms of the review engagement and is not permitted by management or those charged with governance, as appropriate, to continue the review engagement under the original terms, the auditor shall:
- (a) Withdraw from the review engagement, when possible under applicable law or regulation; and
 - (b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators.
37. If the terms of the interim review engagement are changed, the auditor and management or those charged with governance, as appropriate, shall agree on and record the new terms of engagement in an engagement letter or other suitable form of written agreement.

Communications with Management and Those Charged with Governance

38. The auditor shall communicate on a timely basis, significant matters that, in the auditor's professional judgment, merit the attention of management or those charged with governance, as appropriate. (Ref: Para. A61-A62)

Planning and Performing the Engagement

Group Interim Review Engagements

39. For a group interim review engagement, the group auditor shall determine the nature, timing and extent of the work to be performed by component auditors, if any. (Ref: Para. A63-A64)
40. If component auditors are involved, the group auditor shall communicate with the component auditors about the work to be performed, and the expected communications about the results of that work. (Ref: Para. A65)

Materiality

41. The auditor shall determine materiality for the interim financial information as a whole, and apply this materiality in designing review procedures and evaluating the results obtained from those procedures. (Ref: Para. A66-A70)

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42. If the auditor becomes aware of information during the interim review engagement that would have caused the auditor to have determined a different materiality, the auditor shall revise materiality for the interim financial information as a whole and determine the effect on the review procedures performed. (Ref. Para. A71)

Obtaining an Understanding of the Entity and its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

43. The auditor shall:
- (a) Obtain an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, as it relates to the preparation of both annual and interim financial information; and
 - (b) Based on that understanding, identify areas in the interim financial information where material misstatements, whether due to fraud or error, are likely to arise. (Ref: Para. A72-A79)

Designing and Performing Review Procedures

44. The auditor shall design and perform inquiries, analytical procedures and other review procedures that focus on addressing areas in the interim financial information where material misstatements are likely to arise. (Ref: Para. A80-A92)
45. The auditor shall inquire of management and others within the entity as appropriate, about: (Ref: Para. A93-A97)
- (a) Whether the interim financial information has been prepared and presented in accordance with the applicable financial reporting framework;
 - (b) Whether there have been any changes in accounting principles or in the methods of applying them;
 - (c) Whether any new transactions have necessitated the application of a new accounting principle or changes in the entity's accounting policies;
 - (d) Significant accounting estimates, including whether there have been changes in management's selection of methods, significant assumptions and data and, if applicable, management's intention and ability to carry out specific courses of action on behalf of the entity;
 - (e) Whether significant, unusual or complex transactions, events or matters have affected or may affect the entity's interim financial information, including new or revised accounting estimates; (Ref: Para. A95)
 - (f) The results of management's assessment of the risk that the interim financial information may be materially misstated as a result of fraud;
 - (g) Significant deficiencies in the design or operation of internal control as it relates to the preparation and presentation of both annual and interim financial information;
 - (h) Whether the interim financial information contains any misstatements that management is aware of but has not made adjustments to correct;

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- (i) The current status of matters giving rise to a modification of the auditor's opinion on the most recent annual financial statements or the auditor's interim review conclusion on previous interim periods, if any;
 - (j) Whether uncorrected misstatements identified during the most recent annual audit or interim review engagements have been corrected and, if so, when they were corrected and the amounts of the adjustments;
 - (k) Significant journal entries or other adjustments to the interim financial information;
 - (l) New, or significant changes in, commitments, contractual obligations or contingencies that may materially affect the interim financial information;
 - (m) New, or significant changes in, litigation or claims that may materially affect the interim financial information; and (Ref: Para. A97)
 - (n) Compliance with debt covenants.
46. When designing analytical procedures, the auditor shall consider whether the information to be used to perform the analytical procedures is adequate for that purpose. (Ref: Para. A98)
47. The auditor shall read the minutes of the meetings of shareholders, those charged with governance, and other appropriate committees, and inquire about matters dealt with at meetings for which minutes are not available, to identify matters that may affect the interim financial information.
48. The auditor shall read the interim financial information, and consider whether there is anything that causes the auditor to believe that the interim financial information may not be prepared, in all material respects, in accordance with the applicable financial reporting framework.

Related Parties

49. The auditor shall inquire of management and others within the entity, as appropriate, about:
- (a) Changes in, or new, related parties and related party transactions, including the purpose of those transactions; and
 - (b) Whether related party transactions have been appropriately accounted for and disclosed in the interim financial information.
50. The auditor shall remain alert for information that may indicate the existence of related party relationships, or transactions that management has not previously identified or disclosed to the auditor.
51. If the auditor becomes aware of significant transactions outside the entity's normal course of business, the auditor shall inquire of management about:
- (a) The nature of those transactions;
 - (b) Whether related parties were involved; and
 - (c) The business rationale for those transactions.

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Fraud and Non-compliance with Laws and Regulations

52. The auditor shall inquire of management and others within the entity as appropriate, whether they have knowledge of any fraud or suspected fraud, or any identified or suspected non-compliance with laws and regulations that may affect the interim financial information.
53. The auditor shall remain alert to the possibility that procedures performed during the interim review engagement may bring to the auditor's attention information about fraud or suspected fraud or instances of non-compliance or suspected non-compliance with laws and regulations.

Fraud

54. If the auditor becomes aware of fraud or suspected fraud, the auditor shall: (Ref: Para. A99)
- (a) Obtain an understanding about the matter, including about the entity's process to investigate the matter and any remedial actions taken; and
 - (b) Unless the fraud or suspected fraud is clearly inconsequential, obtain further information to evaluate whether the fraud or suspected fraud may have a material effect on the interim financial information. (Ref: Para. A100)
55. If the auditor identifies a misstatement due to fraud, the auditor shall consider: (Ref: Para. A101)
- (a) The implications of the misstatement in relation to other aspects of the interim review engagement; and
 - (b) The possible effect on the reliability of management's representations.

Non-compliance with laws and regulations

56. The auditor shall respond appropriately to non-compliance or suspected non-compliance with laws and regulations identified during the interim review engagement by obtaining: (Ref: Para. A102)
- (a) An understanding of the nature of the act and the circumstances in which it occurred; and
 - (b) Further information to evaluate the possible effect on the interim financial information.

Communication with management and those charged with governance and reporting to an appropriate authority

57. If the auditor becomes aware of instances of fraud or suspected fraud, or of non-compliance or suspected non-compliance with laws and regulations, the auditor shall:
- (a) Unless prohibited by law or regulation, communicate such matters on a timely basis with the appropriate level of management or with those charged with governance, as appropriate; and (Ref: Para. A103)
 - (b) Determine whether law, regulation or relevant ethical requirements: (Ref: Para. A104-A106)
 - (i) Require the auditor to report to an appropriate authority outside the entity; or
 - (ii) Establish responsibilities or rights under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

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Going Concern

58. The auditor shall inquire whether, in preparing the interim financial information, management has performed an assessment of the entity's ability to continue as a going concern. (Ref: Para. A107)
59. If management has not yet done so, the auditor shall request management to make its assessment, covering a period of at least twelve months from the date of approval of the interim financial information.
60. If management's assessment covers less than twelve months from the date of approval of the interim financial information, the auditor shall request management to extend its assessment to at least twelve months from that date. (Ref: Para. A108-A109)
61. If management is unwilling to make or extend its assessment, the auditor shall consider the implications for the interim review engagement.
62. The auditor shall inquire about: (Ref: Para. A110)
 - (a) Significant changes, if any, since the previous annual audit or interim review period in the methods, data or assumptions used by management in making the assessment at the interim date;
 - (b) The status of any events or conditions that existed at the date of the assessment for the most recent annual financial statements or interim review period, including any changes in circumstances or actions taken to resolve them; and
 - (c) Any new events or conditions that have arisen since the previous annual audit or interim review period, that may cast significant doubt on the entity's ability to continue as a going concern.
63. If, as a result of the inquiries in paragraph 62 and other review procedures performed, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall:
 - (a) Perform inquiries of management as to its plans for future actions in relation to its going concern assessment;
 - (b) Consider:
 - (i) The feasibility of management's plans;
 - (ii) The likelihood that the outcome of such plans will be sufficient to mitigate the effects of identified events or conditions; and
 - (iii) Whether management has both the intent and ability to carry out specific courses of action; and
 - (c) Consider performing other procedures as necessary in the circumstances regarding management's plans. (Ref: Para. A111-A112)
64. Based on the evidence obtained from the review procedures performed, the auditor shall evaluate whether anything has come to the auditor's attention that: (Ref: Para. A112)
 - (a) Causes the auditor to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate; or

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(b) Indicates that a material uncertainty related to going concern exists.

65. The auditor shall evaluate the adequacy of disclosures related to the entity's ability to continue as a going concern, in view of the requirements of the applicable financial reporting framework. (Ref: Para. A113-A114)

Using the Work of an Auditor's Expert

66. If the auditor determines that it is necessary to use the work of an auditor's expert to obtain sufficient appropriate evidence, the auditor shall: (Ref: Para. A115)
- (a) Evaluate whether the expert has the necessary competence, capabilities and objectivity for the auditor's purposes; and
 - (b) Determine that the work performed by that expert is adequate for the auditor's purposes.
67. If, based on the evaluation in paragraph 66(a), the auditor concludes that the expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the auditor shall not use the work of that expert. (Ref: Para. A116-A117)

Reconciling the Interim Financial Information to the Underlying Accounting Records

68. The auditor shall obtain evidence that the interim financial information agrees or reconciles with the entity's underlying accounting records. (Ref: Para. A118)
69. For a group interim review engagement, the auditor shall obtain evidence that the group interim financial information agrees or reconciles to the consolidation schedules and to the records of significant consolidation journal entries and adjustments. (Ref: Para. A119)

Additional Procedures When the Auditor Becomes Aware that the Interim Financial Information May Be Materially Misstated

70. If the auditor becomes aware of a matter(s) that causes the auditor to believe the interim financial information may be materially misstated, the auditor shall design and perform additional procedures to obtain further evidence until the auditor is able to: (Ref: Para. A120-A123)
- (a) Conclude that the matter(s) is not likely to cause the interim financial information as a whole to be materially misstated; or
 - (b) Determine that the matter(s) causes the interim financial information as a whole to be materially misstated.

Subsequent Events

71. The auditor shall inquire whether management and, where appropriate, those charged with governance, have identified and addressed events occurring between the date of the interim financial information and the date of the auditor's interim review report that require adjustment of, or disclosure in, the interim financial information.

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72. If the auditor becomes aware of events occurring between the date of the interim financial information and the date of the auditor's interim review report that require adjustment of, or disclosure in, the interim financial information, the auditor shall request management to correct those misstatements.
73. The auditor has no obligation to perform any procedures regarding the interim financial information after the date of the auditor's interim review report. However, if, after the date of the auditor's interim review report but before the date the interim financial information is issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's interim review report, may have caused the auditor to amend the report, the auditor shall:
- (a) Discuss the matter with management and, where appropriate, those charged with governance;
 - (b) Determine whether the interim financial information needs amendment; and
 - (c) If so, inquire how management intends to address the matter in the interim financial information.
74. If management does not amend the interim financial information in circumstances where the auditor believes it needs to be amended, and the auditor's interim review report has already been provided to the entity, the auditor shall notify management and those charged with governance not to issue the interim financial information to third parties before the necessary amendments have been made. If the interim financial information is nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action to seek to prevent reliance on the auditor's interim review report.

Written Representations

Written Representations about Management's Responsibilities

75. The auditor shall request written representations from management that: (Ref: Para. A124-A126)
- (a) It has fulfilled its responsibility for the preparation of the interim financial information in accordance with the applicable financial reporting framework, including where relevant, its fair presentation, as set out in the terms of the engagement;
 - (b) It has provided the auditor with all relevant information and access to information as agreed in the terms of the engagement; and
 - (c) All transactions have been recorded and are reflected in the interim financial information.

If law or regulation requires management to make written public statements about its responsibilities, and the auditor determines that such statements provide some or all of the representations required, the matters covered by such statements need not be included in the written representation.

Other Written Representations

76. The auditor shall also request written representations from management and, where appropriate, those charged with governance, that: (Ref: Para. A124)
- (a) It believes that the effects of uncorrected misstatements are immaterial, individually or in aggregate, to the interim financial information taken as a whole. A summary of such items shall be included in, or attached to, the written representation;

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- (b) The methods, significant assumptions and the data used in making accounting estimates and related disclosures are appropriate in view of the requirements of the applicable financial reporting framework;
- (c) With respect to going concern:
 - (i) It has determined that the use of the going concern basis of accounting in the preparation of the interim financial information is appropriate;
 - (ii) Its assessment of going concern at the interim reporting period reflects all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that it is aware of, and that it has disclosed to the auditor all such events or conditions, if any;
 - (iii) If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, it has disclosed to the auditor its plans for future actions and that it has evaluated the feasibility of those plans, and determined whether it has the intent and ability to carry out specific courses of action;
 - (iv) Matters relevant to going concern have been adequately disclosed in the interim financial information in accordance with the requirements of the applicable financial reporting framework, including, when applicable, significant judgments made by management in concluding that there is no material uncertainty related to the entity's ability to continue as a going concern;
- (d) It acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent or detect fraud and has appropriately fulfilled those responsibilities; and
- (e) It has disclosed to the auditor:
 - (i) The results of its assessment of the risk that the interim financial information may be materially misstated as a result of fraud;
 - (ii) Its knowledge of any fraud or suspected fraud, including allegations of fraud, affecting the entity involving:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others if the fraud could have an effect on the interim financial information;
 - (iii) Its knowledge of suspected fraud, including allegations of fraud, affecting the entity's interim financial information communicated by employees, former employees, analysts, regulators, or others;
 - (iv) All known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the interim financial information;
 - (v) The identity of the entity's related parties and all the related party relationships and transactions or arrangements that it is aware of;

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- (vi) All events occurring subsequent to the date of the interim financial information and for which the applicable financial reporting framework requires adjustment or disclosure;
 - (vii) Significant commitments, contractual obligations or contingencies that have affected or may affect the entity's interim financial information; and
 - (viii) All known actual or possible litigation and claims whose effects may be material to the interim financial information.
77. The written representations shall be in the form of a representation letter addressed to the auditor.
78. If management does not provide one or more of the requested written representations, or the auditor has doubts about the competence or integrity of those providing the written representations, or about the reliability of the written representations, the auditor shall:
- (a) Discuss the matter with management and, where appropriate, those charged with governance;
 - (b) Re-evaluate the integrity of management, and evaluate the effect that such matters may have on the reliability of the evidence obtained; and
 - (c) Take appropriate actions, including determining the possible effect on the conclusion in the auditor's interim review report in accordance with this ISRE.
79. The auditor shall disclaim a conclusion on the interim financial information, or withdraw from the engagement if withdrawal is possible under applicable law or regulation, as appropriate, if:
- (a) The auditor concludes that there is sufficient doubt about the integrity of management such that the written representations are not reliable; or
 - (b) Management does not provide the representations relating to management's responsibilities required by paragraph 75.

Date of and Period(s) Covered by Written Representations

80. The date of the written representations shall be as near as practicable to, but not after, the date of the auditor's interim review report. The written representations shall be for all of the interim financial information and period(s) referred to in the auditor's interim review report.

Accumulation and Evaluation of Misstatements

Accumulation of Identified Misstatements

81. The auditor shall accumulate misstatements identified during the interim review engagement, other than those that are clearly trivial. (Ref: Para. A127-A128)

Communicating and Correcting Identified Misstatements

82. The auditor shall communicate on a timely basis all misstatements accumulated during the interim review engagement with the appropriate level of management and shall request management to correct those misstatements.

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83. If management refuses to correct some or all of the misstatements, the auditor shall obtain an understanding of management's reasons for not doing so, and shall consider that understanding when concluding whether the interim financial information is free from material misstatement in accordance with paragraph 91.
84. Unless prohibited by law or regulation, the auditor shall communicate with those charged with governance uncorrected misstatements and the effect that they, individually or in aggregate, may have on the conclusion in the auditor's interim review report. (Ref: Para. A129)

Evaluating the Effect of Uncorrected Misstatements

85. The auditor shall determine whether uncorrected misstatements are material, individually or in the aggregate, to the interim financial information. (Ref: Para. A130)

Other Information

86. The auditor shall read the other information to consider whether it is materially inconsistent with the interim financial information. (Ref: Para. A131)
87. If a material inconsistency appears to exist, the auditor shall discuss the matter with management or those charged with governance, as appropriate, to determine whether a material misstatement of the interim financial information may exist. (Ref: Para. A132-A133)
88. If the auditor becomes aware that a material misstatement of the other information exists, and management refuses to correct the other information, the auditor shall consider the implications for the engagement. (Ref: Para. A134-A136)

Forming a Conclusion on the Interim Financial Information

Evaluating the Evidence Obtained from the Review Procedures Performed

89. The auditor shall evaluate whether sufficient appropriate evidence has been obtained from the review procedures performed to enable the auditor to form a conclusion on the interim financial information. In making this evaluation, the auditor shall consider all evidence obtained, including evidence that is consistent or inconsistent with other evidence, regardless of whether it appears to corroborate or to contradict the interim financial information as prepared by management.
90. If sufficient appropriate evidence has not been obtained, the auditor shall attempt to obtain further evidence as necessary in the circumstances. (Ref: Para. A82-A83, A137-A138)

Concluding

91. The auditor shall form a conclusion about whether the interim financial information is free from material misstatement.
92. In forming that conclusion, the auditor shall:
- (a) Consider the:
 - (i) Evaluation in paragraph 89 about whether sufficient appropriate evidence has been obtained; and

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- (ii) Determination in paragraph 85 about whether uncorrected misstatements are material, individually or in the aggregate, to the interim financial information;
 - (b) Consider qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments; (Ref: Para. A139)
 - (c) Evaluate whether the interim financial information adequately refers to or describes the applicable financial reporting framework; and (Ref: Para. A140-A141)
 - (d) Consider whether, in the context of the requirements of the applicable financial reporting framework and the results of procedures performed:
 - (i) The terminology used in the interim financial information, including, if applicable, the title of each financial statement, is appropriate;
 - (ii) The interim financial information adequately discloses material accounting policy information;
 - (iii) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;
 - (iv) The accounting estimates and related disclosures made by management appear reasonable;
 - (v) The information presented in the interim financial information appears relevant, reliable, comparable, and understandable; and
 - (vi) The interim financial information provides adequate disclosures to enable the intended users to understand the effects of material transactions and events on the information conveyed in the interim financial information. (Ref: Para. A142-A143)
93. If the interim financial information is prepared using a fair presentation framework, the auditor shall also consider: (Ref: Para. A142)
- (a) The overall presentation, structure and content of the interim financial information; and
 - (b) Whether the interim financial information appears to represent the underlying transactions and events in a manner that achieves fair presentation.

Taking Overall Responsibility for Managing and Achieving Quality

94. Prior to dating the interim review report, the engagement partner shall: (Ref: Para. A144-A145)
- (a) Take responsibility for determining whether relevant ethical requirements, including those related to independence, have been fulfilled. For a group interim review engagement in which component auditors have been involved, this includes taking responsibility for confirming that component auditors have complied with the relevant ethical requirements, including those related to independence;
 - (b) Determine, through review of engagement documentation and discussion with the engagement team, that sufficient appropriate evidence has been obtained to support the auditor's interim review conclusion and the interim review report to be issued;

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- (c) Read the interim financial information and the interim review report to determine that the report to be issued will be appropriate in the circumstances;
- (d) Determine that:
 - (i) The engagement partner's involvement has been sufficient and appropriate throughout the interim review engagement such that the engagement partner has the basis of determining the significant judgments made and the conclusions reached are appropriate; and (Ref: Para. A145)
 - (ii) The nature and circumstances of the engagement, any changes thereto, and the firm's related policies or procedures have been taken into account in complying with paragraph 23; and
- (e) If the engagement is subject to an engagement quality review, determine that the engagement quality review has been completed.

Preparing the Auditor's Interim Review Report

95. The auditor's interim review report shall be in writing and shall include at a minimum: (Ref: Para. A146, A183-A184)
- (a) A title that clearly indicates that it is the report of an independent auditor for an interim review engagement; (Ref: Para. A147)
 - (b) The addressee(s), as required by the circumstances of the engagement; (Ref: Para. A148)
 - (c) The auditor's conclusion, in the first section of the interim review report, with the heading "Conclusion," that:
 - (i) Identifies the entity whose interim financial information has been reviewed;
 - (ii) States that the interim financial information has been reviewed;
 - (iii) Identifies the interim financial information reviewed, including, if applicable, the title of each statement, and the date(s) and period(s) covered by the interim financial information; (Ref: Para. A149)
 - (iv) Refers to the explanatory notes, including material accounting policy information; and
 - (v) Includes a paragraph that contains:
 - a. The auditor's conclusion on the interim financial information, in accordance with paragraphs 97-107; and
 - b. A reference to the applicable financial reporting framework used to prepare the interim financial information, including identification of the jurisdiction of origin of the financial reporting framework if it is not IFRS Accounting Standards as issued by the International Accounting Standards Board. (Ref: Para. A150-A152)
 - (d) A basis for conclusion section, directly following the Conclusion section, with the heading "Basis for Conclusion," that: (Ref: Para. A153-A155)

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- (i) States that the review of the interim financial information was conducted in accordance with ISRE 2410 (Revised), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements*;
- (ii) States that the auditor is responsible for expressing a conclusion on the interim financial information based on the review;
- (iii) Describes an interim review engagement and its limitations, including statements that:
 - a. A review of interim financial information performed in accordance with this ISRE is a limited assurance engagement;
 - b. A review involves performing procedures, primarily consisting of inquiries of management and others within the entity, as appropriate, and analytical procedures, and evaluating the evidence obtained;
 - c. The procedures performed in a review of interim financial information vary in nature and timing from, and are less in extent than, those performed in an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable the auditor to become aware of all significant matters that might be identified in an audit. Accordingly, the level of assurance obtained in a review of interim financial information is substantially lower than in an audit, and therefore the auditor does not express an audit opinion on the interim financial information;
- (iv) Includes a statement that the auditor is independent of the entity in accordance with relevant ethical requirements and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.
 - a. The statement shall identify the jurisdiction of origin of the relevant ethical requirements, or refer to the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards); and
 - b. If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits or reviews of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits or reviews of those entities;
- (v) States that the auditor believes that the evidence obtained is sufficient and appropriate to provide a basis for the auditor's conclusion;
- (e) A section related to going concern, in accordance with paragraphs 108 to 114;
- (f) A section, with an appropriate heading, describing the responsibility of management, or as appropriate, those charged with governance, for: (Ref: Para. A156-A159)
- (i) The preparation and, where relevant, the fair presentation of the interim financial information in accordance with the applicable financial reporting framework;

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- (ii) Such internal control as management determines is necessary to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error; and
 - (iii) Assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate, as well as disclosing, if applicable, matters related to going concern;
 - (g) The auditor's signature; (Ref: Para. A160-A161)
 - (h) The location in the jurisdiction where the auditor practices; and
 - (i) The date of the auditor's interim review report in accordance with paragraph 116.
96. The name of the engagement partner shall be included in the auditor's interim review report of a publicly traded entity unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. (Ref: Para. A162)

Expressing the Auditor's Interim Review Conclusion

Unmodified Conclusion

97. The auditor shall express an unmodified conclusion when the auditor concludes, based on the procedures performed and evidence obtained, that nothing has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework.
98. When the auditor expresses an unmodified conclusion, the auditor shall, unless otherwise required by law or regulation, use one of the following phrases, as appropriate:
- (a) For interim financial information prepared in accordance with a fair presentation framework: (Ref: Para. A163-A164)
 - (i) "Based on our review, nothing has come to our attention that causes us to believe that the interim financial information does not present fairly, in all material respects, [...] in accordance with [the applicable financial reporting framework]"; or
 - (ii) "Based on our review, nothing has come to our attention that causes us to believe that the interim financial information does not give a true and fair view of [...] in accordance with [the applicable financial reporting framework]".
 - (b) For interim financial information prepared in accordance with a compliance framework: "Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with [the applicable financial reporting framework]".

Modified Conclusion

99. The auditor shall express a modified conclusion when: (Ref: Para. A165)
- (a) The auditor determines, based on the procedures performed and the evidence obtained, that the interim financial information is materially misstated; or

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- (b) The auditor is unable to obtain sufficient appropriate evidence in relation to one or more areas of the interim financial information that are material in relation to the interim financial information as a whole.

100. If the auditor expresses a modified conclusion, the auditor shall:

- (a) Use the heading "Qualified Conclusion," "Adverse Conclusion" or "Disclaimer of Conclusion," as appropriate, for the Conclusion section of the interim review report (see paragraph 95(c)); and
- (b) Use the heading "Basis for Qualified Conclusion," "Basis for Adverse Conclusion" or "Basis for Disclaimer of Conclusion," as appropriate, for the Basis for Conclusion section of the interim review report (see paragraph 95(d)), and describe in this section the matter(s) giving rise to the modification.

Interim financial information is materially misstated

101. If the auditor determines that the interim financial information is materially misstated, the auditor shall express:

- (a) A qualified conclusion, when the auditor concludes that the effects of the matter(s) giving rise to the modification are material, but not pervasive to the interim financial information; or (Ref: Para. A166)
- (b) An adverse conclusion, when the effects of the matter(s) giving rise to the modification are both material and pervasive to the interim financial information. (Ref: Para. A167)

102. If the auditor expresses either a qualified conclusion or an adverse conclusion due to a material misstatement of the interim financial information, the auditor shall include, in the "Basis for Qualified Conclusion" or "Basis for Adverse Conclusion" sections, as appropriate:

- (a) If the material misstatement relates to specific amounts in the interim financial information (including quantitative disclosures), a description and quantification of the financial effects of the misstatement, unless impracticable. If impracticable, the auditor shall include a statement stating that fact.
- (b) If the material misstatement relates to narrative disclosures, an explanation of how disclosures are misstated.
- (c) If the material misstatement relates to the non-disclosure of information required to be disclosed, a description of the nature of the information, and, unless prohibited by law or regulation, include the omitted disclosures if it is practicable to do so. (Ref: Para. A168)

Inability to obtain sufficient appropriate evidence

103. If the auditor is unable to obtain sufficient appropriate evidence, the auditor shall: (Ref: Para. A169)

- (a) Express a qualified conclusion if the auditor concludes that the possible effects on the interim financial information of undetected misstatements, if any, could be material but not pervasive; or

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- (b) Disclaim a conclusion if the auditor concludes that the possible effects on the interim financial information of undetected misstatements, if any, could be both material and pervasive.
104. The auditor shall describe in the Basis for Qualified Conclusion or Basis for Disclaimer of Conclusion section, as appropriate, the reason(s) for the inability to obtain sufficient appropriate evidence.
105. If the auditor's inability to obtain sufficient appropriate evidence is due to a limitation on the scope of the interim review imposed by management after the auditor has accepted the engagement, and the auditor has determined that the possible effects on the interim financial information of undetected misstatements are material and pervasive, the auditor shall withdraw from the interim review engagement, where withdrawal is possible under applicable law or regulation. (Ref: Para. A170-A171)
106. If the auditor disclaims a conclusion on the interim financial information, the auditor shall: (Ref: Para. A172)
- (a) State in the Disclaimer of Conclusion section that:
 - (i) Due to the significance of the matter(s) described in the Basis for Disclaimer of Conclusion section, the auditor is unable to obtain sufficient appropriate evidence to form a conclusion on the interim financial information; and
 - (ii) Accordingly, the auditor does not express a conclusion on the interim financial information.
 - (b) Amend the statement required by paragraph 95(c)(ii), which indicates that the interim financial information has been reviewed, to state that the auditor was engaged to review the interim financial information.

Other Circumstances Affecting the Auditor's Interim Review Conclusion

107. Even if the auditor has expressed an adverse conclusion or disclaimed a conclusion on the interim financial information, the auditor shall describe in the applicable Basis for Conclusion section the reasons for any other matters of which the auditor is aware that would have required a modification to the interim review conclusion, and the effects thereof.

Going Concern (Ref: Para. A173)

108. If nothing has come to the auditor's attention to indicate that a material uncertainty related to going concern exists in the interim period, the auditor shall include a separate section in the interim review report, with the heading "Going Concern," stating that:
- (a) In the context of the auditor's review of the interim financial information, and in forming the conclusion thereon, nothing has come to the auditor's attention that causes the auditor to believe that management's use of the going concern basis of accounting is inappropriate;
 - (b) Based on the evidence obtained, nothing has come to the auditor's attention to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and

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- (c) The auditor's statements are based on the evidence obtained up to the date of the interim review report and are not a guarantee as to the entity's ability to continue as a going concern.

109. If the auditor's report on the most recent annual financial statements of the entity included a Material Uncertainty Related to Going Concern section, and:

- (a) The events or conditions that led the auditor to conclude that a material uncertainty existed remain at the interim reporting date, and
- (b) Management has identified and adequately disclosed the material uncertainty in the interim financial information,

the auditor shall include a separate section in the interim review report, with the heading "Material Uncertainty Related to Going Concern," that includes:

- (c) A reference to the related disclosure(s) in the annual financial statements and a statement that the auditor's report on those financial statements included a Material Uncertainty Related to Going Concern section;
- (d) A reference to the related disclosure(s) in the interim financial information that describes the events or conditions and states that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern;
- (e) A statement that the auditor's interim review conclusion is not modified in respect of the matter; and
- (f) The statements in paragraphs 108(a) and 108(c).

110. If the auditor's report on the most recent annual financial statements of the entity did not include a Material Uncertainty Related to Going Concern section, and:

- (a) Events or conditions have been identified in the interim period that may cast significant doubt on the entity's ability to continue as a going concern, and
- (b) Management has identified and adequately disclosed in the interim financial information a material uncertainty related to the entity's ability to continue as a going concern,

the auditor shall include a separate section in the interim review report, with the heading "Material Uncertainty Related to Going Concern," that includes:

- (c) A reference to the related disclosure(s) in the interim financial information that describes the events or conditions and states that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern;
- (d) A statement that the auditor's interim review conclusion is not modified in respect of the matter; and
- (e) The statements in paragraphs 108(a) and 108(c).

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Other Circumstances Related to Going Concern

111. If a matter related to going concern, other than a material uncertainty, is disclosed in the interim financial information and, in the auditor's judgment, the matter is of such importance that it is fundamental to users' understanding of the interim financial information, the auditor shall, in the separate Going Concern section required by paragraph 108, include: (Ref: Para. A174-A175)
- (a) A reference to the related disclosure(s) in the interim financial information; and
 - (b) A statement that the auditor's interim review conclusion is not modified in respect of the matter.

Inadequate Disclosures About a Material Uncertainty Related to Going Concern

112. If the auditor's evaluation in accordance with paragraphs 64(b) and 65 indicates that a material uncertainty related to going concern exists that has not been adequately disclosed, the auditor shall:
- (a) Express a qualified or adverse conclusion, as appropriate, in accordance with paragraph 101;
 - (b) In the Basis for Qualified (or Adverse) Conclusion section of the auditor's interim review report, state that a material uncertainty exists and that the interim financial information does not adequately disclose this matter; and
 - (c) Include a separate section in the interim review report, with the heading "Material Uncertainty Related to Going Concern," that draws attention to the Basis for Qualified (Adverse) Conclusion section of the auditor's interim review report, and includes the statements in paragraphs 108(a) and 108(c).

Use of Going Concern Basis of Accounting is Inappropriate

113. If the interim financial information has been prepared using the going concern basis of accounting, and the auditor's evaluation in accordance with paragraph 64(a) indicates that, in the auditor's professional judgment, management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate:
- (a) The auditor shall express an adverse conclusion; and
 - (b) Unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's interim review report.

Considerations If the Auditor Disclaims a Conclusion on the Interim Financial Information

114. If the auditor disclaims a conclusion on the interim financial information in accordance with paragraph 103(b), the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's interim review report. (Ref: Para. A176)

Other Reporting Responsibilities

115. If the auditor addresses reporting responsibilities in the interim review report that are in addition to the auditor's responsibilities under this ISRE, the auditor shall include a separate section in the interim review report, with an appropriate heading. (Ref: Para. A177–A178)

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Date of the Auditor's Interim Review Report

116. The auditor's interim review report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate evidence on which to base the auditor's conclusion on the interim financial information, including evidence that: (Ref: Para. A179–A182)
- (a) All the statements and disclosures that comprise the interim financial information have been prepared; and
 - (b) Those with the recognized authority have asserted that they have taken responsibility for that interim financial information.

Emphasis of Matter Paragraph

117. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the interim financial information that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the interim financial information and this is not prohibited by law or regulation, the auditor shall do so in a paragraph in the auditor's interim review report, with an appropriate heading that includes the term "Emphasis of Matter," that also indicates that the auditor's conclusion is not modified in respect of the matter.

Other Matter Paragraph

118. If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the interim financial information that, in the auditor's judgment, is relevant to users' understanding of the review, the auditor's responsibilities or the auditor's interim review report and this is not prohibited by law or regulation, the auditor shall do so in a paragraph in the auditor's interim review report, with the heading "Other Matter" or other appropriate heading

Comparative Information

119. If comparative information is included in the interim financial information, the auditor shall obtain evidence about whether:
- (a) The comparative information agrees with the amounts and other disclosures presented in the prior period; and
 - (b) The accounting policies reflected in the comparative information are consistent with those applied in the current period.

Documentation

Form, Content and Extent of Engagement Documentation

120. The auditor shall prepare, on a timely basis, documentation that is sufficient to enable an experienced auditor, having no previous connection with the engagement, to understand: (Ref: Para. A184)
- (a) The nature, timing and extent of the procedures performed to comply with this ISRE and applicable legal and regulatory requirements;
 - (b) The results of the procedures performed, and the auditor's conclusions formed on the basis of those results; and

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- (c) Significant matters arising during the engagement, the auditor's conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
121. If the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency.
122. In documenting the nature, timing and extent of procedures performed, the auditor shall record:
- (a) Who performed the work and the date such work was completed; and
 - (b) Who reviewed the work performed, and the date and extent of such review.
123. The auditor shall also document discussions with management, those charged with governance, and others as relevant to the performance of the interim review engagement, related to significant matters arising during the engagement, including the nature of the significant matters discussed, and when and with whom the discussions took place.

Assembly of the Engagement Documentation

124. The auditor shall assemble the interim review engagement documentation in an interim review engagement file, and complete the administrative process of assembling the final engagement file on a timely basis after the date of the auditor's interim review report. After the assembly of the final engagement file has been completed, the auditor shall not delete or discard engagement documentation of any nature before the end of its retention period. (Ref: Para. A185-A186)
125. If the auditor finds it necessary to modify existing engagement documentation or add new engagement documentation after the assembly of the final interim review engagement file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document:
- (a) The specific reasons for making them; and
 - (b) When and by whom they were made and reviewed.

Application and Other Explanatory Material

Scope of this ISRE (Ref: Para. 1)

- A1. This ISRE applies to interim review engagements performed by the auditor of the entity's annual financial statements. In many cases, the auditor will have audited the entity's previous annual financial statements and be engaged to audit the current-period annual financial statements, or the auditor may expect to be engaged to do so (e.g., the auditor's appointment has been approved by the entity's shareholders for the current period but an engagement letter has not yet been signed). In other cases, the auditor may not expect to be engaged to audit the current period annual financial statements (e.g., the entity may have commenced the process of appointing a successor auditor). In these circumstances, the auditor may perform an interim review engagement in accordance with this ISRE to provide for an appropriate transition until the appointment of the successor auditor becomes effective.
- A2. The auditor of the entity's annual financial statements performs the audit in accordance with the ISAs. The ISAs have been written for audits of historical financial information and do not apply to other

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assurance engagements, including interim review engagements. However, certain aspects of an interim review engagement in accordance with this ISRE may be addressed in connection with the audit engagement (e.g., requirements related to acceptance and continuance of the engagement). Accordingly, the auditor may find it useful to refer to the ISAs for guidance on those aspects of the interim review engagement.

Reviews of Interim Financial Information by a Practitioner Who Is Not the Auditor of the Entity's Annual Financial Statements (Ref: Para. 3)

- A3. Through performing the audit of the entity's annual financial statements, the auditor obtains an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control. Accordingly, when the auditor is engaged to perform an interim review engagement for that entity in accordance with this ISRE, the auditor updates this understanding, which assists the auditor with designing the review procedures to be performed.
- A4. A practitioner who is not the auditor of the entity's annual financial statements does not ordinarily have this level of understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control. Therefore, that practitioner performs an interim review engagement in accordance with ISRE 2400 (Revised).

Relationship with ISQM 1 (Ref: Para. 4)

- A5. Firms or national requirements may use different terminology or frameworks to describe the components of the system of quality management. National requirements that deal with the firm's responsibilities to design, implement and operate a system of quality management are at least as demanding as ISQM 1 when they address the requirements of ISQM 1 and impose obligations on the firm to achieve the objective of ISQM 1.

An Interim Review Engagement

The Applicable Financial Reporting Framework for Interim Financial Information (Ref: Para. 6)

- A6. Local law or regulation, securities regulation, stock exchange rules, or jurisdictional standards may specify the financial reporting framework used to prepare the interim financial information, the period for which it is prepared (e.g. quarterly or half-yearly), or whether the interim financial information is required to be reviewed, or possibly audited, by the independent auditor of the entity's annual financial statements.
- A7. The applicable financial reporting framework may, for example, consist of recognized financial reporting standards supplemented by other requirements in law or regulation relating to interim financial reporting.
- A8. The applicable financial reporting framework may require, or may permit, an entity to provide less information at interim dates than in its annual financial statements. In addition, the requirements for preparing interim financial information may be different from those for a complete set of annual financial statements. For example, the financial reporting framework may permit a greater use of estimates than in the annual financial statements, or permit the interim financial information to be presented in the form of condensed financial statements and explanatory notes. Certain disclosures may not be required in condensed interim financial statements, which are focused on new activities,

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events, and circumstances since the previous annual reporting period. In these circumstances, the financial reporting framework may require, or management may choose to include, in the interim financial information, a statement that the condensed interim financial information is to be read in conjunction with the latest annual audited financial statements. This also presumes that the users of the interim financial information will have access to the latest audited financial statements, such as is the case with publicly traded entities.

Objectives (Ref: Para. 12)

- A9. In certain circumstances, law or regulation may not permit withdrawal from the engagement. For example, this may be the case in the public sector, where the option of withdrawing from the engagement may not be available because of the nature of the applicable legal mandate based on public interest considerations, or in jurisdictions where an auditor is appointed for a specific period and is prohibited from withdrawing before the end of that period. In these circumstances, the auditor may consider it necessary to include an Other Matter paragraph in the auditor's interim review report in accordance with paragraph 118, to explain why it is not possible to withdraw from the engagement.

Definitions

Other Information (Ref: Para. 13(g))

- A10. Depending on law, regulation or custom in a particular jurisdiction, other information may include, for example, management commentary, performance summaries, or a chairperson's statement, when included in the document that also contains the interim financial information and the auditor's report thereon.
- A11. Documents such as, for example, preliminary announcements of financial information and securities offering documents, including prospectuses, that may include interim financial information, are not considered other information for the purpose of this ISRE.

Group Interim Review Engagements (Ref: Para. 14)

- A12. The Glossary includes, for example, definitions of component, component auditor, group audit, group auditor, group engagement partner, and group financial statements.

Conduct of a Review Engagement in Accordance with this ISRE

Text of this ISRE (Ref: Para. 15)

- A13. This ISRE contains the objectives of the auditor in following the ISRE, which provide the context in which the requirements of this ISRE are set, and which are intended to assist the auditor in understanding what needs to be accomplished in an interim review engagement.
- A14. This ISRE contains requirements, expressed using "shall," designed to enable the auditor to meet the objectives. In addition, it contains introductory material, definitions, and application and other explanatory material, that provide context relevant to a proper understanding of the ISRE. The application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. While such guidance does not impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also

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provide background information on matters addressed in this ISRE that assists in the application of the requirements.

- A15. In performing an interim review engagement, the auditor may be required to comply with legal or regulatory requirements, which may differ from the requirements established in this ISRE. This ISRE does not override law or regulation that governs a review of interim financial information. In the event that such law or regulation differs from the requirements of this ISRE, an interim review engagement conducted only in accordance with such law or regulation will not necessarily comply with this ISRE.

Complying with Relevant Requirements (Ref: Para. 18-19)

- A16. The requirements of this ISRE are designed to enable the auditor to achieve the objectives specified in the ISRE. Accordingly, other than in exceptional circumstances, the auditor is required to comply with each requirement that is relevant in the circumstances of the interim review engagement. A requirement is relevant unless the requirement is conditional and the condition does not exist. For example, the requirement to modify the auditor's conclusion when there is an inability to obtain sufficient appropriate evidence is not relevant when there is no such inability.

Relevant Ethical Requirements (Ref: Para. 20)

- A17. Relevant ethical requirements may include provisions that apply for both audit and review engagements. For example, the provisions related to independence in Part 4A of the IESBA Code apply to both audit and review engagements unless otherwise stated. The IESBA Code sets out fundamental principles that establish the standard of behavior expected of a professional accountant: integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. The IESBA Code specifies the required approach for a professional accountant to comply with the fundamental principles and, when applicable, the International Independence Standards. Law or regulation in a jurisdiction may also contain provisions addressing ethical requirements, including independence, such as privacy laws affecting the confidentiality of information.
- A18. The IESBA Code describes independence as comprising both independence of mind and independence in appearance. The auditor's independence safeguards the auditor's ability to form a conclusion without being affected by influences that might otherwise compromise that conclusion. Independence enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional skepticism.

Professional Skepticism and Professional Judgment

Professional Skepticism (Ref: Para. 21)

- A19. Professional skepticism is necessary for the critical assessment of evidence. This includes:
- Considering all evidence obtained, including evidence that appears inconsistent with other evidence, and evidence that appears to contradict what is presented in the interim financial information.
 - Questioning the reliability of information intended to be used as evidence, including responses to inquiries, obtained from management and those charged with governance.

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- Considering the sufficiency and appropriateness of evidence obtained in light of the engagement circumstances.

A20. Professional skepticism includes being alert to, for example:

- Information that calls into question the reliability of information intended to be used as evidence, including responses to inquiries.
- Conditions that may indicate possible misstatement due to fraud or error.
- Any other circumstances that suggest the need for additional procedures.

A21. Maintaining professional skepticism throughout the interim review engagement is necessary to reduce the risks of:

- Overlooking unusual circumstances.
- Over-generalizing when drawing conclusions from evidence obtained.
- Using inappropriate assumptions in determining the nature, timing and extent of the procedures to be performed, and in evaluating the results thereof.

A22. The auditor cannot be expected to disregard past experience of the honesty and integrity of the entity's management and those charged with governance. Nevertheless, a belief that management and those charged with governance are honest and have integrity does not relieve the auditor of the need to maintain professional skepticism, nor allow the auditor to be satisfied with evidence that is inadequate for the purpose of the interim review engagement.

A23. ISA 220 (Revised)⁶ includes application material describing possible impediments to the exercise of professional skepticism at the engagement level. The auditor may find it useful to refer to such guidance when considering such matters in the context of an interim review engagement.

Professional Judgment (Ref: Para. 22)

A24. Professional judgment is essential to the proper conduct of an interim review engagement. The distinguishing feature of the professional judgment expected of the auditor is that it is exercised by an auditor whose training, knowledge and experience, including in the use of assurance skills and techniques, have assisted in developing the necessary competencies to achieve reasonable judgments.

A25. Professional judgment is necessary, in particular:

- Regarding decisions about materiality, and about the nature, timing and extent of procedures performed.
- When evaluating whether the evidence obtained from the procedures performed reduces the engagement risk to a level that is acceptable in the engagement circumstances.
- When considering management's judgments in applying the applicable financial reporting framework.

⁶ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraphs A34-A36

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- When forming the conclusion on the interim financial information based on the evidence obtained, including considering the reasonableness of the estimates made by management in preparing the interim financial information.
- A26. The exercise of professional judgment by the auditor is based on the facts and circumstances of the interim review engagement, including matters such as:
- Knowledge acquired from previous audits and interim review engagements, where applicable.
 - The auditor's understanding of the entity and its environment, including its system of internal control, and of the application of the applicable financial reporting framework in the entity's industry.
 - The extent to which the preparation and presentation of the interim financial information in accordance with the applicable financial reporting framework requires the exercise of management judgment.
- A27. Professional judgment is not to be used as the justification for decisions that are not otherwise supported by the facts and circumstances of the engagement, or the evidence obtained.

Engagement-Level Quality Management

Managing and Achieving Quality on the Engagement (Ref: Para. 23(a))

- A28. The engagement partner remains ultimately responsible, and therefore accountable, for compliance with the requirements of this ISRE. The engagement partner may assign the design or performance of procedures, tasks or actions related to a requirement of this ISRE to other appropriately skilled or suitably experienced members of the engagement team. However, this does not diminish the requirement for the engagement partner to take overall responsibility for managing and achieving quality on the engagement, for example, through direction and supervision of those members of the engagement team, and review of their work.
- A29. Taking responsibility for managing and achieving quality on the interim review engagement, may also include emphasizing, through the engagement partner's actions and behaviors, and appropriate messaging to the other members of the engagement team, the importance of:
- (a) Performing work that complies with professional standards and regulatory and legal requirements.
 - (b) Exercising professional skepticism throughout the engagement.
 - (c) Complying with the firm's quality management policies or procedures as applicable.
 - (d) Issuing an interim review report that is appropriate in the circumstances.
 - (e) The engagement team's ability to raise concerns without fear of reprisals.
- A30. Being sufficiently and appropriately involved throughout the interim review engagement may be demonstrated by the engagement partner in different ways, including:
- Taking responsibility for the nature, timing and extent of the direction and supervision of the members of the engagement team, and the review of their work in complying with the requirements of this ISRE.

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- Varying the nature, timing and extent of such direction, supervision and review in the context of the nature and circumstances of the engagement.

Engagement Performed in Accordance with the Firm's Quality Management Policies or Procedures (Ref: Para. 23(c))

- A31. ISQM 1 deals with the firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements. Under ISQM 1,⁷ the objective of the firm is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:
- (a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
 - (b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.⁸
- A32. Within the context of the firm's system of quality management, the engagement team, led by the engagement partner, has a responsibility to implement the firm's policies or procedures applicable to the interim review engagement, and communicate to the firm information arising from the interim review engagement that is required to be communicated by the firm's policies or procedures to support the firm's system of quality management.
- A33. Ordinarily, the engagement team may depend on the firm's quality management policies or procedures unless:
- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
 - Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise (e.g., information provided by the firm's monitoring activities, external inspections or other relevant sources indicates that the firm's policies or procedures are not operating effectively).
- A34. The firm's policies or procedures may address audit and interim review engagements separately, or such policies or procedures may cover both types of engagements since both are performed by the auditor of the entity's annual financial statements.⁹ The engagement team may depend on the firm's policies or procedures related to, for example:
- Competence and capabilities of personnel through their recruitment and formal training.
 - Independence, through the accumulation and communication of relevant independence information.

⁷ ISQM 1, paragraph 1

⁸ ISQM 1, paragraph 14

⁹ ISA 220 (Revised) deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements.

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- Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and interim review engagements.
- Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.

Firm Policies or Procedures for the Acceptance and Continuance of Interim Review Engagements (Ref: Para. 23(c)(i))

- A35. The firm's policies or procedures for the acceptance and continuance of audit client relationships and audit engagements may also address interim review engagements because both audit and interim review engagements are performed by the independent auditor of the entity's annual financial statements. Consequently, the terms of the interim review engagement may be incremental to or, in some jurisdictions, may form part of, the terms agreed upon for the audit of the annual financial statements.
- A36. Information that assists the engagement partner in determining whether the firm's policies or procedures for the acceptance and continuance of client relationships and interim review engagements have been followed, and that conclusions reached are appropriate, may include information concerning:
- The integrity of the principal owners, key management and those charged with governance.
 - Significant matters that have arisen during the current or a previous interim review engagement, or the previous audit, and their implications for continuing the relationship.
- A37. The firm's policies or procedures may also address circumstances in which the results of the auditor's procedures for acceptance or continuance of the interim review engagement may have implications for the acceptance or continuance of the related audit engagement. Such policies or procedures may include communicating relevant information promptly to the firm in these circumstances, so that the firm and the engagement partner can take the necessary action.
- A38. The firm's policies or procedures may also address circumstances in which the interim review engagement is the first engagement performed for a new audit client. In these circumstances, the firm's policies or procedures may require communication with the predecessor auditor, including a request to review the predecessor auditor's audit documentation. Such communication may provide useful information for the client acceptance process, as well as for obtaining an initial understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control in accordance with paragraph 43.
- A39. The auditor's consideration of acceptance and continuance of client relationships and interim review engagements, occurs throughout the engagement, as conditions and changes in circumstances occur.

Sufficient and Appropriate Resources to Perform the Engagement (Ref: Para 23(c)(ii))

- A40. This ISRE requires the engagement partner to take overall responsibility for the engagement being performed in accordance with the firm's quality management policies or procedures, including determining that sufficient and appropriate resources to perform the engagement are assigned or

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made available in a timely manner. For a group interim review engagement, such resources may include component auditors. See also paragraph 39.

- A41. As described in ISQM 1,¹⁰ engagement resources include human, technological and intellectual resources. In determining that sufficient appropriate resources are made available to the engagement team to perform the engagement in a timely manner, the engagement partner may consider, for example, whether technological tools that have been approved for use by the firm, and which the engagement team has expertise in, are available.

Engagement Quality Review for the Interim Review Engagement (Ref: Para. 23(c)(v))

- A42. ISQM 1¹¹ also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. ISQM 2¹² deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.
- A43. When an engagement quality review is performed, the engagement quality reviewer is required to notify the engagement partner when the engagement quality review is complete.¹³ Therefore, this ISRE requires that the interim review report not be dated until the completion of the engagement quality review (see paragraph 95(i)).

Considering Information from the Firm's Monitoring and Remediation Process (Ref: Para. 24)

- A44. In considering information from the firm's monitoring and remediation process that may affect the interim review engagement, the engagement partner may consider deficiencies¹⁴ identified in the firm's system of quality management and the remedial actions undertaken by the firm to address those deficiencies. A deficiency in the firm's system of quality management does not necessarily indicate that an interim review engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the auditor's interim review report was not appropriate.

Acceptance and Continuance of the Interim Review Engagement

Preconditions for Accepting an Interim Review Engagement

The Applicable Financial Reporting Framework (Ref: Para. 25(a))

- A45. Without an acceptable financial reporting framework, management does not have an appropriate basis for the preparation of the interim financial information, and the auditor does not have suitable criteria for the review of the interim financial information.
- A46. A condition for acceptance and continuance of an assurance engagement is that the criteria are suitable and available to intended users. The requirements of the applicable financial reporting

¹⁰ ISQM 1, paragraph 32

¹¹ ISQM 1, paragraph 2

¹² ISQM 2, *Engagement Quality Reviews*

¹³ ISQM 2, paragraph 27

¹⁴ ISQM 1, paragraph 16(a)

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framework determine the form and content of the interim financial information, including what constitutes a complete set of interim financial statements and, if permitted by the framework, requirements for the presentation of condensed interim financial information (see also paragraph A8). Some financial reporting frameworks are fair presentation frameworks, while others are compliance frameworks (see paragraph 13(b)). The applicable financial reporting framework provides the criteria the auditor uses to review the interim financial information including, where relevant, the fair presentation of the interim financial information.

- A47. In many cases, in the absence of any indications to the contrary, the auditor may presume that the applicable financial reporting framework is acceptable (e.g., a financial reporting framework that is prescribed by law or regulation in a jurisdiction to be used in the preparation of interim financial information for certain types of entities).
- A48. The auditor's determination of the acceptability of the financial reporting framework to be applied in the preparation of the interim financial information may include consideration of factors such as:
- The purpose of the interim financial information (e.g., whether it is prepared to meet the common financial information needs of a wide range of users or the financial information needs of specific users).
 - The nature of the interim financial information (e.g., whether the interim financial information is a complete set of interim financial statements or a condensed set of interim financial statements).
 - Whether the applicable financial reporting framework is prescribed in relevant law or regulation.
- A49. Deficiencies in the applicable financial reporting framework indicating that the framework is not acceptable may be encountered after the interim review engagement has been accepted. When use of that financial reporting framework is not prescribed by law or regulation, management may decide to adopt another framework that is acceptable. When management does so, the auditor is required, in accordance with paragraph 37, to agree the new terms of the interim review engagement with management to reflect the change in the applicable financial reporting framework.

Responsibilities of Management (Ref: Para. 25(b))

- A50. The interim financial information of an entity is prepared by management of the entity with oversight from those charged with governance. This ISRE does not impose responsibilities on management and those charged with governance, nor does it override law or regulation that govern their respective responsibilities. An interim review engagement in accordance with this ISRE is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to the conduct of the interim review engagement. The review of the interim financial information by the entity's auditor does not relieve management or those charged with governance of their responsibilities.
- A51. The responsibilities of management outlined in paragraph 25(b) are similar to those that management acknowledges and understands it has in connection with the audit of the financial statements.¹⁵ However, the responsibilities in paragraph 25(b) are related specifically to the preparation of interim

¹⁵ ISA 210, paragraph 6(b)

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financial information and the review of that information by the auditor. Because of the importance of the preconditions for undertaking a review of interim financial information, the auditor is required to obtain the agreement of management that it understands these responsibilities before accepting the interim review engagement. The auditor may obtain management's agreement either orally or in writing, but management's agreement is subsequently recorded within the written terms of the engagement. As explained in paragraph A35, the terms of the interim review engagement may be incremental to, or form part of, the terms agreed upon for the audit of the annual financial statements.

Other Factors Affecting Acceptance of the Interim Review Engagement (Ref: Para. 28)

- A52. Whether the engagement exhibits a rational purpose may be influenced by the intended use and intended users of the interim financial information. In many cases, interim review engagements may be required by law or regulation. If so, the auditor may presume, in the absence of indications to the contrary, that the engagement has a rational purpose.
- A53. An example of an interim review engagement that may not have a rational purpose may be when the engagement is intended to meet compliance requirements of relevant law or regulation, and such law or regulation requires the interim financial information to be audited rather than reviewed.

Agreeing the Terms of Engagement (Ref: Para. 33-35)

- A54. As explained in paragraph A35, the firm's policies or procedures may address the acceptance and continuance of audit client relationships and audit and interim review engagements together, including as part of a single engagement letter. In some jurisdictions, it may be necessary to address the terms of the engagement to review interim financial information in a separate engagement letter because the audit of the financial statements may be required by corporate or commercial law, while reviews of interim financial information may be required by securities regulation. This ISRE does not preclude combining the terms of engagement to review interim financial information with the terms of engagement to audit the annual financial statements in appropriate circumstances.

Engagement Letter or Other Suitable Form of Written Agreement (Ref: Para. 34)

- A55. Agreeing the terms of the engagement in a written engagement letter prior to commencing the interim review engagement helps to avoid misunderstandings between the auditor and the entity's management or, as applicable, those charged with governance with respect to the interim review engagement.

Form and content of the engagement letter

- A56. The form and content of the engagement letter may vary for each engagement. In addition to the matters required by paragraph 34, an engagement letter may address, for example:
- Arrangements concerning the involvement of component auditors and auditors' experts in the interim review engagement.
 - Arrangements to be made with the predecessor auditor, if any, in the case of a first-time interim review engagement.

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- The fact that an interim review engagement will not satisfy any statutory or third-party requirements for an audit.
- The intended use and distribution of the interim financial information, and any restrictions on the use or distribution, if applicable.
- Management's agreement to provide written representations to the auditor.
- Management's agreement to inform the auditor of facts that may affect the interim financial information of which management may become aware during the period commencing on the date of the auditor's interim review report to the date the interim financial information is issued.
- A request for management to acknowledge receipt of the engagement letter and to agree to the terms of the engagement outlined therein.
- Agreement from management and, where appropriate, those charged with governance that, if any document containing the interim financial information indicates that the interim financial information has been reviewed by the entity's auditor, the interim review report will also be included in that document.

Responsibilities of management prescribed by law or regulation (Ref: Para. 34(c))

A57. The written terms of agreement may use the wording of the law or regulation if the law or regulation establishes responsibilities for management that are equivalent in effect to those described in paragraph 25(b).

Recurring Engagements (Ref: Para. 35)

A58. Whether the interim review engagement is addressed in a separate engagement letter or as part of the engagement letter for the audit, the auditor may decide not to send a new engagement letter or other written agreement each period. Factors that may indicate that it is appropriate to revise the terms of the interim review engagement, or to remind management and those charged with governance, as appropriate, of the existing terms of the interim review engagement, may include, for example:

- Any indication that management misunderstands the objective and scope of the interim review.
- Any revised or special terms of the engagement.
- A change in legal or regulatory requirements affecting the entity.
- A change in the applicable financial reporting framework used to prepare the interim financial information.

Change in the Terms of the Interim Review Engagement (Ref: Para. 36)

A59. A change in circumstances that affects the entity's requirements, or a misunderstanding concerning the nature of the interim review engagement, may be considered a reasonable justification for requesting a change to the terms of the interim review engagement. In contrast, a change may not be considered reasonable if it appears that the change relates to interim financial information that is incorrect, incomplete or otherwise unsatisfactory.

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Considerations Specific to Public Sector Entities

A60. Law or regulation governing interim review engagements in the public sector ordinarily mandates the appointment of the auditor and often sets out the auditor's responsibilities and powers, including the power to access an entity's records and other information. Consequently, engagement letters may not be a widespread practice in the public sector. The auditor may nonetheless consider that there are benefits in agreeing with the entity the terms of the interim review engagement by way of an engagement letter, setting out the matters referred to in paragraph 34.

Communications with Management and Those Charged with Governance (Ref: Para. 38)

A61. In a review of interim financial information, the auditor's communications with management and those charged with governance take the form of:

- (a) Inquiries the auditor makes in the course of performing the interim review engagement; and
- (b) Other communications, in the context of having effective two-way communication to understand matters arising and to develop a constructive working relationship for the engagement.

A62. As a result of performing the review of interim financial information, the auditor may become aware of matters that in the auditor's professional judgment, are significant to those charged with governance, who have responsibility for overseeing the financial reporting and disclosure process, while some matters may only need to be brought to management's attention. The appropriate timing of communications will vary depending on considerations such as the nature and significance of the matter, and the action expected to be taken by management or those charged with governance.

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Examples

Matters that may be significant for the responsibilities of those charged with governance:

- Any identified or suspected fraud involving management or employees with significant roles in internal control, that has come to the auditor's attention (see paragraph 57)
- Identified or suspected fraud that has come to the auditor's attention, that involves other parties, that is not clearly inconsequential (see paragraph 57)
- Matters involving non-compliance with laws and regulations that have come to the auditor's attention, other than when these matters are clearly inconsequential (see paragraph 57)
- Significant matters discussed with management, such as, for example:
 - Significant events or transactions in the period that were brought to the auditor's attention;
 - Areas of disagreement with management, including any areas of management bias
- Significant difficulties encountered during the engagement, such as, for example:
 - Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the auditor to perform procedures.
 - An unreasonably brief time within which to complete the engagement.
 - Extensive unexpected effort required to obtain sufficient appropriate evidence.
 - The unavailability of expected information.

Planning and Performing the Engagement

Group Interim Review Engagements (Ref: Para. 39-40)

- A63. The objective in a group interim review engagement is to obtain limited assurance about whether the group interim financial information as a whole is free of material misstatement. In applying the requirements of paragraph 23(c)(ii), the group engagement partner may determine, based on professional judgment, that it is possible to obtain sufficient appropriate evidence as the basis for forming a conclusion on the group interim financial information by performing procedures at the group level alone. Alternatively, the group engagement partner may, and often will, determine that component auditors are to be involved. For example, component auditors may be asked to provide information, or to perform review procedures at a component related to a specific matter affecting the group interim financial information
- A64. In determining the nature, timing and extent of involvement of component auditors, if any, the group auditor may consider factors such as, for example, whether:
- The component auditors are involved in performing the audit of the group's annual financial statements, and if so, the reasons for that involvement, and whether those reasons may also be relevant in the context of the interim review engagement.

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- The component is a new component of the group.
- An element of unpredictability is necessary.
- Significant events or transactions have occurred in a component since the date of the most recent annual financial statements, and whether information about those events may be available at the group level.
- The interim financial information of the component is significant to the group as a whole.
- It is practicable to perform inquiries and other review procedures at the group level or through shared service centers.

A65. If component auditors are involved in performing procedures to obtain evidence in an interim review engagement, the group engagement partner remains responsible, and therefore accountable, for obtaining sufficient appropriate evidence as the basis for the conclusion on the group interim financial information. Clear and timely communication between the auditor and component auditors about their respective responsibilities supports achieving this objective. For example, communications that provide clear direction to component auditors about the nature, timing and extent of their involvement in the interim review engagement, and the matters expected to be communicated to the group auditor and the form of such communications, support establishing the basis for effective two-way communication. Such communications may also include communications about the relevant ethical requirements, including those related to independence, that apply to the group interim review engagement.

Materiality (Ref: Para. 41)

A66. The auditor's determination of materiality is a matter of professional judgment that involves quantitative and qualitative considerations. The determination is affected by the auditor's perception of the financial information needs of users of the interim financial information and is made in the context of the applicable financial reporting framework used in preparing the interim financial information and of the periods covered therein.

A67. Some financial reporting frameworks may include a discussion of the concept of materiality in the context of the preparation and presentation of interim financial information that provides a frame of reference for the determination of materiality by the auditor. In the absence of materiality being addressed in the framework, the following principles may be applied:

- Misstatements, including omissions, are considered material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of intended users taken on the basis of the interim financial information;
- Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
- Judgments about matters that are material to users of the interim financial information are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

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- A68. In the audit of the entity's annual financial statements, the auditor may have applied a percentage to a chosen benchmark as a starting point in determining a quantitative materiality for the financial statements as a whole.¹⁶ In an interim review engagement, the auditor may decide to use the same benchmark and an appropriate percentage as a starting point in determining a quantitative materiality for the interim financial information as a whole, or may consider other factors.
- A69. In some circumstances, such as when an entity's operations are subject to cyclical variations, or when the financial results for the current interim period differ significantly from the prior interim period or the expected results for the current year, the auditor may, in applying their professional judgment, conclude that it is appropriate to determine a materiality using a normalized amount.
- A70. In a group interim review engagement, the materiality determined in accordance with paragraph 41 is the materiality for the group interim financial information as a whole. The auditor may consider designating an amount, lower than materiality for the group interim financial information as a whole, to be used by component auditors, for example, for purposes of communicating matters identified in the component financial information to the group auditor.

Revising Materiality (Ref: Para. 42)

- A71. The auditor's determination of materiality for the interim financial information as a whole may need to be revised during the engagement. Such changes may result from matters such as:
- A change in the circumstances that occurred during the review (for example, a decision to dispose of a major part of the entity's business).
 - New information, or a change in the auditor's understanding of the entity and its environment as a result of performing procedures for the review in accordance with this ISRE (for example, if information comes to the auditor's attention during the review to indicate that actual financial results are likely to be substantially different from the anticipated interim period or annualized financial results that were used initially to determine materiality for the engagement).

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control (Ref: Para. 43)

- A72. When performing an audit of the entity's annual financial statements, the auditor obtains an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control as it relates to the preparation of the annual financial statements, and identifies and assesses the risks of material misstatement of the financial statements.¹⁷ This ISRE does not require the identification and assessment of the risks of material misstatement of the interim financial information. However, the auditor's risk assessment procedures and other work performed for the most recent annual audit inform the auditor's identification of areas in the interim financial information where material misstatements are likely to arise and therefore provide a basis for designing review procedures to address those areas.
- A73. In performing the interim review engagement, the auditor fulfills the requirement in paragraph 43 by updating the understanding and leveraging the knowledge obtained from the previous annual audits

¹⁶ See ISA 320, *Materiality in Planning and Performing an Audit*, paragraphs A4-A8

¹⁷ See ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

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(and previous interim review engagements performed during the period since that date). As a practical matter, the auditor's understanding is obtained and updated on an iterative basis throughout the engagement, and is updated as changes in conditions and circumstances occur. See also paragraphs A77-A79 related to considerations for first-time interim review engagements.

A74. The nature and extent of procedures performed by the auditor to obtain or update the understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control are a matter of professional judgment. Ordinarily, such procedures include the following:

- Reading the documentation of the preceding year's annual audit, reviews of prior interim period(s) of the current year, and the corresponding interim period(s) of the prior year to the extent necessary to enable the auditor to identify matters that may affect the current-period interim financial information. In reading such documents, the auditor may specifically consider the nature of any:
 - Corrected material misstatements.
 - Matters identified in any summary of uncorrected misstatements.
 - Significant accounting estimates.
 - Significant risks,¹⁸ including risks of material misstatement due to fraud.¹⁹
 - Significant financial accounting and reporting matters that may be of continuing significance, such as significant deficiencies in internal control.
- Reading the most recent annual and comparable prior period interim financial information.
- Considering the results of any audit procedures performed with respect to the current year's annual financial statements.
- Considering the results of any internal audit activities and reports issued, and the subsequent actions taken by management.
- Inquiring of management about matters such as:
 - The effect of changes in the entity's business model and activities.
 - Whether significant changes in the entity's system of internal control, as it relates to the preparation and presentation of the interim financial information, have occurred subsequent to the most recent annual audit or review of interim financial information, including changes in the entity's policies, procedures, and personnel, as well as the nature and extent of such changes.
 - The process by which the interim financial information has been prepared and the reliability of the underlying accounting records.
- For group interim review engagements, inquiries of management about the nature of consolidation adjustments relevant to the preparation of the group's interim financial

¹⁸ ISA 315 (Revised 2019), paragraph 12(l)

¹⁹ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 39(b)

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information, and about any significant differences to those processed in connection with the annual financial statements or previous interim periods.

This is not an exhaustive list, nor a prescriptive list of procedures the auditor may deem necessary to perform in all circumstances.

- A75. Paragraph 43 requires the auditor to obtain an understanding of the entity's system of internal control as it relates to the preparation of both annual and interim financial information because accounting principles and practices used in the preparation of interim financial information may differ from those used in the preparation of the annual financial statements, as permitted by the applicable financial reporting framework.
- A76. The procedures to obtain the understanding of the entity's system of internal control for purposes of the interim review engagement consist primarily of inquiries and are less in extent than the procedures required to obtain an understanding of the system of internal control for the audit of the entity's annual financial statements. This ISRE does not require a detailed understanding of each of the components of internal control nor does it require performing procedures to obtain evidence about the design and implementation of controls. The auditor's primary consideration is whether the understanding provides a basis for the auditor to identify areas in the interim financial information where material misstatements are likely to arise, and to inform the auditor's approach to designing and performing review procedures.

Additional Considerations for First-Time Interim Review Engagements

- A77. If the interim review is the first engagement performed after being engaged to audit the entity's annual financial statements, the auditor is still required to obtain the understanding required by paragraph 43 as it relates to the preparation of both annual and interim financial information. The nature and extent of the procedures needed to do so are a matter of professional judgment. Procedures such as those described in paragraph A74 are also relevant in these circumstances. The auditor may decide to perform the procedures needed to obtain the understanding of the entity and its environment and the entity's system of internal control required for purposes of the audit of the annual financial statements.²⁰
- A78. Additional considerations for first-time interim review engagements may include the following:
- Unless prohibited by law or regulation, making arrangements with the predecessor auditor, for example, to review the predecessor auditor's working papers for the preceding year's annual audit, reviews of prior interim period(s) of the current year, and the corresponding interim period(s) of the prior year.
 - Considering any significant issues discussed with management in connection with the initial appointment as the entity's auditor.
- A79. If the predecessor auditor does not respond to the incoming auditor's inquiries or does not allow the auditor to review the predecessor auditor's working papers, the auditor may inquire as to the reasons why and perform other procedures to obtain the understanding required by paragraph 43. In such circumstances, the auditor may have no alternative but to perform the procedures needed to obtain

²⁰ See ISA 315 (Revised 2019), paragraphs 19-26

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the understanding of the entity and its environment and the entity's system of internal control required for purposes of the audit of the annual financial statements.

Designing and Performing Review Procedures (Ref: Para. 44)

- A80. The review procedures are designed and performed for the purpose of obtaining sufficient appropriate evidence as the basis for a conclusion on the interim financial information as a whole. The nature and extent of procedures performed are influenced by:
- (a) The requirements of this ISRE; and
 - (b) Requirements established under applicable law or regulation, including additional reporting requirements contained in applicable laws or regulations.
- A81. For group interim review engagements, the planned nature, timing and extent of the procedures for the review are directed at achieving the auditor's objectives for the review engagement stated in this ISRE in the context of the group interim financial information.
- A82. The circumstances of interim review engagements may vary and, accordingly, in certain circumstances the auditor may decide to design and perform procedures other than inquiries, analytical procedures, and the procedures specifically required by this ISRE, to obtain sufficient appropriate evidence as the basis for the auditor's limited assurance conclusion. For example, if the auditor becomes aware of a significant contract when obtaining an understanding of the entity, the auditor may decide to read the contract. The auditor may also determine that such procedures are necessary when attempting to obtain further evidence in accordance with paragraph 90; or when additional procedures are required to be performed in accordance with paragraph 70. The fact that the auditor may deem it necessary to perform other procedures does not alter the auditor's objective of obtaining limited assurance in relation to the interim financial information as a whole.
- A83. While the auditor is not required to corroborate management's responses to inquiries by inspecting documents and records, performing interim review procedures includes a consideration of the reasonableness and consistency of management's responses to other inquiries and the results of other review procedures, and the auditor's understanding of the entity and its environment.
- A84. An interim review does not ordinarily involve performing tests of controls or substantive procedures that would be performed during an audit.
- A85. The auditor may perform certain 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, the applicable financial reporting framework, and the entity's system of 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 may also assist early identification and consideration of significant matters affecting the interim financial information.

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Analytical Procedures in an Interim Review Engagement

A86. In a review of interim financial information, performing analytical procedures may assist the auditor in:

- Obtaining or updating the auditor's understanding of the entity and its environment, and identifying areas where material misstatements are likely to arise in the interim financial information.
- Identifying inconsistencies or variances from expected trends, values or norms in the interim financial information, which may indicate that a material misstatement of the interim financial information may exist.
- Obtaining evidence that may corroborate or contradict information in the interim financial information, or be consistent or inconsistent with other evidence obtained.
- Obtaining evidence in accordance with paragraph 70, when the auditor becomes aware of matter(s) that cause the auditor to believe that the interim financial information may be materially misstated.

A87. Various methods may be used to perform analytical procedures. Such methods range from performing simple comparisons and ratio analysis, to using statistical techniques, such as trend analysis or regression analysis. Analytical procedures may be performed manually, or using technological tools. The auditor's use of technological tools to perform analytical procedures does not change the auditor's intended purpose in performing these procedures.

A88. Examples of analytical procedures the auditor may consider when performing a review of interim financial information include:

- Comparing the current period interim financial information with:
 - The interim financial information of the immediately preceding interim period.
 - The interim financial information of the corresponding interim period of the preceding financial year.
 - The interim financial information that was expected by management for the current period, based on forecasts or budgets.
 - The most recent audited annual financial statements.
- Comparing current interim financial information with relevant non-financial information
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations about those amounts or ratios, developed by the auditor. The auditor may develop such expectations by identifying and applying relationships that may reasonably be expected to exist based on the auditor's understanding of the entity and of the industry in which the entity operates (see also paragraph A90).
- Comparing ratios and indicators for the current interim period with those of entities in the same industry.

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- Comparing relationships among elements in the current interim financial information with corresponding relationships in the interim financial information of prior periods. (e.g., comparing ratios of expenses by type as a percentage of sales, assets by type as a percentage of total assets, or the percentage of change in sales to percentage of change in receivables.)

A89. Such analytical procedures may be performed at a disaggregated level. For example:

- By period (e.g., revenue or expense items, disaggregated into quarterly, monthly, or weekly amounts).
- By different operational activity (e.g., product line or source of revenue.)
- By location (e.g., by geographical region, or by component).
- By attributes of transactions (e.g., revenue from contracts for services, generated by designers, architects, or craftsmen).

A90. When the auditor develops expectations in performing analytical procedures in an interim review engagement, such expectations are ordinarily less precise than those developed when performing substantive analytical procedures in an audit. This is because analytical procedures in an interim review engagement may be designed to support expectations about the direction of trends, relationships and ratios. Examples of sources of information the auditor may use to develop expectations, depending on the engagement circumstances, include:

- Financial information for comparable prior period(s), taking known changes into account.
- Information about expected operating and financial results, such as budgets or forecasts including extrapolations from interim or annual data.
- Relationships among elements of financial information within the period.
- Information regarding the industry in which the entity operates, such as gross margin information, or comparison of the entity's ratio of sales to accounts receivable with industry averages or with other entities of comparable size in the same industry.
- Relationships of financial information with relevant non-financial information, such as payroll costs to number of employees.

Relationship with Procedures for the Audit of the Annual Financial Statements

A91. Certain procedures performed for the purpose of the interim review engagement (e.g., reading the minutes of meetings of the board of directors) may also provide information that is relevant to the audit of the annual financial statements.

A92. In addition, while not required to do so by this ISRE, the auditor may decide to perform, at the time of the interim review, certain procedures that would need to be performed for the purpose of the audit of the annual financial statements, for example, procedures related to:

- (a) Significant or unusual transactions that occurred during the interim period, such as business combinations, restructurings, or significant revenue transactions; or
- (b) Opening balances, when applicable.

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In these circumstances, the auditor may also obtain information relevant to the understanding of the entity that may further inform the inquiries, analytical and other review procedures to be performed.

Inquiries (Ref: Para. 45)

A93. The auditor's inquiries are primarily of members of management responsible for financial and accounting matters, but also may include others within the entity, such as IT personnel and in-house legal counsel.

A94. Depending on the engagement circumstances, the auditor may also inquire about, for example:

- Actions taken at meetings of owners, those charged with governance and committees thereof, and proceedings at other meetings, if any, that affect the information and disclosures contained in the interim financial information.
- Communications the entity has received, or expects to receive or obtain, from regulatory agencies.
- Matters identified in the course of applying other procedures.

A95. Examples of significant, unusual or complex transactions, events or matters the auditor may inquire about include:

- Significant changes in the entity's business activities or operations, such as a business combination or disposal of a segment of the business.
- Significant changes to the terms of contracts that materially affect the entity's interim financial information, including terms of finance and debt contracts or covenants.
- Significant transactions occurring or recognized in the interim reporting period, particularly those in the last several days of the interim period or the first several days of the next interim period.
- Material non-monetary transactions, or transactions for no consideration.

A96. The application of professional skepticism in evaluating responses provided by management is important to enable the auditor to evaluate whether there are any matter(s) that would cause the auditor to believe the interim financial information may be materially misstated.

Inquiry concerning litigation or claims (Ref: Para. 45(m))

A97. In an interim review engagement, the auditor is not required to send a letter of inquiry to the entity's legal counsel. However, if a matter comes to the auditor's attention that causes the auditor to believe that the interim financial information may be materially misstated in respect of such matters, and the auditor believes that legal counsel may have relevant information concerning the matter, direct communication with the entity's legal counsel may be appropriate in applying paragraph 70.

Information Used in Performing Analytical Procedures (Ref: Para. 46)

A98. The auditor's consideration of whether information to be used for analytical procedures is adequate for the intended purposes of those procedures is based on the auditor's understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal

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control. It is influenced by the nature and source of the information and by the circumstances in which the information is obtained. Relevant considerations may include, for example:

- The source of the information. For example, information may be more reliable when it is obtained from independent sources outside the entity.
- The comparability of the information available. For example, broad industry data may need to be supplemented or be adjusted to be comparable to data of an entity that produces and sells specialized products.
- The nature and relevance of the information available. For example, whether the entity's budgets are established as results to be expected rather than as goals to be achieved.
- The reliability of the information, including the knowledge and expertise involved in the preparation of the information, and related controls that are designed to ensure its integrity (completeness, accuracy and validity). Such controls may include, for example, controls over the preparation, review and maintenance of budgetary information.

Fraud and Non-Compliance with Laws and Regulations (Ref: Para. 52-57)

Fraud (Ref: Para. 54-55)

A99. The procedures performed in accordance with paragraph 54 are for the purpose of helping the auditor evaluate whether the fraud or suspected fraud may have a material effect on the interim financial information. If this evaluation causes the auditor to believe that the interim financial information may be materially misstated, the auditor is required to perform additional procedures in accordance with paragraph 70.

A100. The auditor's understanding obtained in accordance with paragraph 54(a) may indicate that the fraud or suspected fraud is clearly inconsequential. For example, management's follow up on information from the entity's whistleblower program may indicate that the suspected fraud was clearly inconsequential because it was limited to a misappropriation of certain low-value office supplies.

A101. Because fraud involves incentive or pressure to commit fraud, a perceived opportunity to do so or some rationalization of the act, an instance of fraud is unlikely to be an isolated occurrence. Therefore, when a misstatement due to fraud is identified, the reliability of management's responses to inquiries and information obtained from other review procedures, and the reliability of written representations to be obtained in accordance with paragraphs 75 and 76, may be called into question.

Non-compliance with laws and regulations (Ref: Para. 56)

A102. Responding appropriately to non-compliance with laws and regulations, identified during the engagement, may include taking action, such as:

- Discussing the matter with management or those charged with governance, as applicable.
- Requesting the entity to consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator.
- Reading correspondence, if any, with the relevant licensing or regulatory authorities.

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- Considering the implications of the matter in relation to other aspects of the interim review engagement, including the auditor's identification of the areas in the interim financial information where material misstatements are likely to arise, and the reliability of written representations from management.
- Considering the implications for the engagement to audit the entity's annual financial statements.
- Obtaining legal advice about the consequences of different courses of action.
- Withdrawing from the engagement, if possible under law or regulation.

Communication with management and those charged with governance and reporting to an appropriate authority (Ref: Para. 57)

A103. In determining the appropriate level of management or those charged with governance with whom to communicate instances of fraud or non-compliance or with laws and regulations, the auditor may consider whether management may have been involved in the fraud or non-compliance with laws and regulations and whether any of those charged with governance are involved in managing the entity.

A104. Relevant ethical requirements may include a requirement to report identified or suspected non-compliance with laws and regulations to an appropriate level of management or those charged with governance. In some jurisdictions, law or regulation may restrict the auditor's communication of certain matters with management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected illegal act, including alerting the entity. In these circumstances, the issues considered by the auditor may be complex and the auditor may consider it appropriate to obtain legal advice.

A105. The determination required by paragraph 57(b) may involve complex considerations and significant professional judgments. Accordingly, the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular course of action.

Considerations specific to public sector entities

A106. A public sector auditor may be obliged to report on instances of fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations to the legislature or other governing body or to report such instances in the auditor's interim review report.

Going Concern (Ref: Para. 58-65)

A107. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern when preparing the annual financial statements and include standards regarding matters to be considered and disclosures to be

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made in connection with going concern.²¹ The financial reporting framework used to prepare the interim financial information also may require management to make an assessment of the entity's ability to continue as a going concern.

A108. The level of detail and the formality of management's process to extend its assessment of the entity's ability to continue as a going concern to at least twelve months from the date of approval of the interim financial information may vary from entity to entity. If management has chosen not to extend the period of assessment, management and those charged with governance may be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the interim financial information. For example, this may be the case when the entity has profitable operations and has no liquidity concerns, and management or those charged with governance have not identified any events or conditions that may cast significant doubt beyond the period of assessment they have chosen.

A109. For purposes of this ISRE, the date of approval of the interim financial information is the date on which those with the recognized authority for the interim financial information determine that the interim financial information is complete and has been prepared in accordance with the applicable financial reporting framework and have asserted that they have taken responsibility for them.

Events or conditions that may cast significant doubt about an entity's ability to continue as a going concern (Ref: Para. 62)

A110. If the inquiries performed in accordance with paragraph 62 indicate that events or conditions that existed at the date of the assessment of the most recent annual financial statements or previous interim review have resolved, the auditor may decide to perform other procedures to obtain additional evidence about their resolution.

Example

In response to the auditor's inquiries, management may explain that a capital raising exercise that was uncertain at the date of the annual financial statements has been completed successfully. The auditor may decide to inspect relevant documentation to obtain evidence about the transaction.

Procedures relating to management's plans to address events or conditions identified (Ref: Para. 63(c))

A111. Evidence obtained through inquiry is often the principal source of evidence about management intent. However, information available to support management's intent may be limited. In that case, understanding management's past history of carrying out its stated intentions, management's stated reasons for choosing a particular course of action, and management's ability to pursue a specific course of action may provide relevant information to corroborate the evidence obtained through inquiry.

A112. The auditor's decision to perform other procedures regarding management's plans is a matter of professional judgment. Such procedures are designed and performed for the purpose of providing the auditor with a basis for the auditor's evaluation in accordance with paragraph 64.

²¹ ISA 570 (Revised 2024), *Going Concern*, paragraph 3

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Examples

- When management's plans include obtaining financial support from other parties, the auditor may perform procedures to obtain evidence of the intent and ability of those parties to maintain or provide such support.
- When management's plans involve significant assumptions and complex models, the auditor may recalculate aspects of the model for mathematical accuracy and to obtain evidence that the calculations were applied in accordance with the assumptions and methods selected.

The adequacy of disclosures relating to going concern (Ref: Para. 65)

A113. The adequacy of disclosures is considered in view of the requirements of the applicable financial reporting framework, which may require certain disclosures related to going concern to be made in interim financial information. For example, these may include disclosures of a material uncertainty about the entity's ability to continue as a going concern, or disclosures of significant judgments made by management in concluding that no material uncertainty exists.

A114. If a matter comes to the auditor's attention that causes the auditor to believe that the interim financial information may be materially misstated or misleading in relation to going concern, the auditor is required to perform additional procedures in accordance with paragraph 70.

Using the Work of an Auditor's Expert (Ref: Para. 66)

A115. The auditor may have determined that it is necessary to use the work of an auditor's expert to assist the auditor in obtaining evidence for purposes of the audit of the entity's annual financial statements, or may have used an auditor's expert in past engagements. In these circumstances, the auditor may have previously evaluated the expert's competence, capabilities and objectivity in accordance with the requirements in ISA 620.²² However, the facts and circumstances giving rise to the need to involve an expert in the interim review engagement may be different. Accordingly, paragraph 66(a) requires the auditor to evaluate whether the expert has the necessary competence, capabilities and objectivity for the auditor's purposes in the interim review engagement. In addition, this does not change the requirement in paragraph 66(b) to determine that the work performed by the expert is adequate for purposes of the interim review engagement.

Prohibition on using the work of an auditor's expert (Ref: Para. 67)

A116. Using the work of an auditor's expert that does not have the necessary competence, capabilities, or objectivity for the auditor's purposes would affect the auditor's fulfillment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.

A117. Relevant ethical requirements may also prohibit the auditor from using the work of an auditor's expert if the auditor is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the auditor's purposes.²³

²² ISA 620, *Using the Work of an Auditor's Expert*

²³ See, for example, paragraph R390.21 of the IESBA Code related to using the work of an external expert.

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Reconciling the Interim Financial Information to the Underlying Accounting Records (Ref: Para 68-69)

A118. The auditor may obtain evidence that the interim financial information agrees with, or reconciles to, the underlying accounting records by tracing the interim financial information to the relevant accounting records, such as the general ledger, or to a summary record or schedule that reflects the agreement or reconciliation of the interim financial information amounts with the underlying accounting records (such as a trial balance).

A119. The extent of the procedures to be performed in accordance with paragraph 69 is a matter of professional judgment, taking into account the auditor's understanding of the entity's process for preparing the interim financial information, and whether a material misstatement of the interim financial information is likely to arise in the consolidation process (e.g., due to issues identified in previous audit or interim review engagements). For example, the auditor may decide that it is appropriate to agree the interim financial information of selected components to the consolidation schedule. If component auditors have been involved in performing review procedures, the auditor may also consider obtaining confirmation from the component auditors that the information included in the consolidation schedule for those components reconciles to the underlying records at those components.

Additional Procedures When the Auditor Becomes Aware that the Interim Financial Information May Be Materially Misstated (Ref: Para. 70)

A120. The auditor's additional procedures when a matter comes to the auditor's attention that causes the auditor to believe that there may be a material misstatement in the interim financial information are a matter of professional judgment and will vary depending on the circumstances.

A121. The auditor's judgment about the nature, timing and extent of additional procedures that are needed to obtain evidence to either conclude that a material misstatement is not likely to exist, or to determine that a material misstatement exists, is guided by factors such as

- Information obtained from the auditor's evaluation of the results of the procedures already performed.
- The auditor's updated understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, obtained throughout the course of the engagement.
- The auditor's view on the persuasiveness of evidence that is needed to address the matter that causes the auditor to believe that the interim financial information may be materially misstated.

A122. Additional procedures focus on obtaining sufficient appropriate evidence to enable the auditor to form a conclusion on matters that the auditor believes may cause the interim financial information to be materially misstated. The procedures may include:

- Additional inquiry or analytical procedures, for example, being performed in greater detail or being focused on the affected items (i.e., the amounts or disclosures concerning the affected account balances or class of transactions as reflected in the interim financial information).
- Other types of procedures, for example, inspecting documentation or performing external confirmations.

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A123. The auditor may determine that, having performed additional procedures to address a matter in accordance with paragraph 70, it is not possible or practicable to obtain sufficient appropriate evidence that would enable the auditor to either conclude that the matter is unlikely to cause the interim financial information to be materially misstated, or to determine that a material misstatement exists. In such circumstances, the auditor may be unable to conclude that sufficient appropriate evidence has been obtained in accordance with paragraphs 89 and 90. Paragraph 103 establishes requirements that apply when the auditor is unable to obtain sufficient appropriate evidence.

Written Representations (Ref: Para. 75-76)

A124. Written representations are an important source of evidence in an interim review engagement. If management modifies or does not provide the requested written representations, it may alert the auditor to the possibility that one or more significant issues may exist. Further, a request for written, rather than oral, representations in many cases may prompt management to consider such matters more rigorously, thereby enhancing the quality of the representations.

A125. In addition to the written representations required under this ISRE, the auditor may consider it necessary to request other written representations about the interim financial information, for example, to provide the auditor with additional evidence with respect to certain matters reflected in the interim financial information.

A126. In some cases, management may include in the written representations qualifying language to the effect that representations are made to the best of management's knowledge and belief. It is reasonable for the auditor to accept such wording if the auditor is satisfied that the representations are being made by those with appropriate responsibilities and knowledge of the matters included in the representations.

Accumulation and Evaluation of Identified Misstatements (Ref: Para. 81-85)

A127. The auditor may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the interim financial information. In so doing, relevant considerations include 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.

A128. "Clearly trivial" is not another expression for "not material." Misstatements that are clearly trivial are of a wholly different (smaller) order of magnitude, or of a wholly different nature than those that would be determined to be material, and are misstatements that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the misstatement is considered not to be clearly trivial.

A129. The auditor's communication with those charged with governance in respect of uncorrected misstatements may include matters such as the reasons for, and the implications of, a failure to correct misstatements, having regard to the size and nature of the misstatement judged in the surrounding circumstances. See also paragraph A62.

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A130. The auditor's evaluation of the effect of uncorrected misstatements involves professional judgment and ordinarily takes into account matters such as:

- (a) The nature and amount of the misstatements, including those related to disclosures, and the particular circumstances of their occurrence;
- (b) Whether the misstatements originated in the preceding year or interim period(s) of the current year; and
- (c) The potential effect of the misstatements on future interim or annual periods.

Other Information (Ref: Para. 86-88)

A131. The auditor is required by paragraph 21 to plan and perform the engagement with professional skepticism. Maintaining professional skepticism when reading and considering the other information includes, for example, being alert to information that may be inconsistent with the interim financial information or with the auditor's knowledge about the entity obtained in the interim review engagement or during the previous audits or interim review engagements.

A132. Material inconsistencies between the other information and the interim financial information may be an indication of a material misstatement of the interim financial information, or a material misstatement of the other information. The auditor's discussions in accordance with paragraph 87 enable the auditor to determine, for example, whether additional procedures in accordance with paragraph 70 may be necessary.

A133. If the discussions with management or those charged with governance, as appropriate, or the results of additional procedures performed in the circumstances, indicate that a misstatement exists in the interim financial information, and that misstatement is not corrected by management, such misstatement is evaluated together with any others that have come to the auditor's attention in accordance with paragraph 85.

Material Misstatement of the Other Information

A134. If the discussions with management or those charged with governance, as appropriate, indicate that a material misstatement may exist in the other information, the auditor may request that management or those charged with governance, as appropriate, provide support for the basis of management's statements in the other information. Based on management's further information or explanations, the auditor may be satisfied that the other information is not materially misstated. For example, management explanations may indicate reasonable and sufficient grounds for valid differences of judgment. Conversely, the discussion with management may provide further information that supports that a material misstatement of the other information exists.

A135. A material misstatement of the other information may undermine the credibility of the interim financial information and the auditor's interim review report thereon. In addition, relevant ethical requirements may explicitly require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information provided

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recklessly, or omits or obscures required information where such omission or obscurity would be misleading.²⁴

A136. The actions the auditor takes if the other information is not corrected after communicating with management, or when applicable, those charged with governance, are a matter of professional judgment. The auditor may consider whether the rationale given by management and those charged with governance for not making the correction raises doubt about the integrity or honesty of management or those charged with governance, such as when the auditor suspects an intention to mislead. The auditor may also consider it appropriate to seek legal advice. In some cases, the auditor may be required by law, regulation or other professional standards to communicate the matter to a regulator or relevant professional body. Withdrawal from the engagement, where withdrawal is possible under applicable law or regulation, may be appropriate. The auditor also may need to consider the implications for the audit of the entity's annual financial statements and, more broadly, continuance of the relationship with the audit client.

Forming a Conclusion on the Interim Financial Information

Evaluating the Evidence Obtained from the Procedures Performed (Ref: Para. 89-90)

A137. In some circumstances, the auditor may not have obtained the evidence that the auditor had expected to obtain through performing primarily inquiry, analytical and other review procedures, and procedures in this ISRE addressing specific circumstances. This may arise even though the auditor has not become aware of any specific matter(s) that individually caused the auditor to believe the interim financial information may be materially misstated, as addressed in paragraph 70. In these circumstances, the auditor may determine to either extend the procedures already performed, or perform additional procedures as necessary in the circumstances to obtain sufficient appropriate evidence to be able to form a conclusion on whether the interim financial information as a whole is free of material misstatement.

A138. The inability to perform a specific procedure does not constitute a limitation on the scope of the interim review engagement if the auditor is able to obtain sufficient appropriate evidence by performing other procedures. However, if, having performed further procedures as required by paragraph 90, the auditor is unable to obtain sufficient appropriate evidence to form a conclusion, paragraph 103 requires the auditor to express a modified conclusion.

Concluding

Qualitative Aspects of the Entity's Accounting Practices (Ref: Para. 92(b))

A139. In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in management's judgments. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of apparent uncorrected misstatements causes the interim financial information as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor's evaluation of whether the financial statements as a whole may be materially misstated include:

²⁴ See, for example, paragraph R111.2 of the IESBA Code.

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- The selective correction of apparent misstatement brought to management's attention during the interim review (e.g., correcting misstatements with the effect of increasing reported earnings, but not correcting misstatements that have the effect of decreasing reported earnings).
- Possible management bias in the making of accounting estimates. Indicators of possible management bias do not necessarily mean there are possible misstatements for purposes of considering the reasonableness of individual accounting estimates (see also paragraph 92(d)(iv)). They may, however, affect the auditor's evaluation of whether the interim financial information as a whole may be materially misstated.

Description of the Applicable Financial Reporting Framework (Ref: Para. 92(c))

A140. The description of the applicable financial reporting framework in the interim financial information informs intended users of the interim financial information about the framework on which the interim financial information is based. If the interim financial information is prepared for a special purpose, a description of the special purpose financial reporting framework used informs intended users that the special purpose interim financial information may not be appropriate for any other use.

A141. A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (e.g., "the financial statements are in substantial compliance with IFRS Accounting Standards issued by the International Accounting Standards Board") is not an adequate description of that framework as it may mislead intended users of the interim financial information.

Disclosure of Effects of Material Transactions and Events on Information Conveyed in Interim Financial Information (Ref: Para. 92(d)(vi), 93)

A142. In the case of interim financial information prepared in accordance with the requirements of a fair presentation framework, management may need to include additional disclosures in the interim financial information beyond those specifically required by the applicable financial reporting framework or, in extremely rare circumstances, to depart from a requirement in the framework, in order to achieve the fair presentation of the interim financial information.

A143. It will be extremely rare for the auditor to consider interim financial information prepared in accordance with a compliance framework to be misleading if the auditor has determined at the time of engagement acceptance that the framework is acceptable.

Taking Overall Responsibility for Managing and Achieving Quality (Ref: Para. 94)

A144. When making the determinations in accordance with paragraph 94, the engagement partner may consider, for example, how requirements of this ISRE have been complied with given the nature and circumstances of the interim review engagement, and how the engagement documentation evidences the engagement partner's involvement throughout the engagement.

A145. Indicators that the engagement partner may not have been sufficiently and appropriately involved may include, for example:

- Lack of timely review by the engagement partner of the risk assessment procedures performed and the planned inquiries, analytical procedures and other review procedures.

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- Evidence that those to whom tasks, actions or procedures have been assigned were not adequately informed about the nature of their responsibilities and authority, the scope of the work being assigned and the objectives thereof, and were not provided other necessary instructions and relevant information.
- A lack of evidence of the engagement partner's direction and supervision of the other members of the engagement team and the review of their work, including, when relevant, component auditors in a group interim review engagement.

Preparing the Auditor's Interim Review Report (Ref: Para. 95)

A146. A written report encompasses reports issued in hard copy format and those using an electronic medium. Appendix 1 contains illustrations of auditor's interim review reports that reflect examples of possible circumstances set out in paragraphs 95-107.

Title (Ref: Para. 95(a))

A147. A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Interim Review Report," affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor's interim review report from reports issued by others.

Addressee(s) (Ref: Para. 95(b))

A148. Law or regulation may specify to whom the auditor's interim review report is to be addressed in a particular jurisdiction. The auditor's interim review report is normally addressed to those for whom the report is prepared, often either the shareholders or those charged with governance of the entity whose interim financial information is being reviewed.

Identification of the Interim Financial Information Reviewed (Para. 95(c)(iii))

A149. When the auditor is aware that the interim financial information that has been reviewed will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the interim financial information that has been reviewed is presented. This helps users to identify the interim financial information to which the auditor's interim review report relates.

Reference to the Applicable Financial Reporting Framework (Ref: Para. 95(c)(v)b)

A150. The identification of the applicable financial reporting framework in the auditor's conclusion on the interim financial information is intended to advise users of the interim review report of the context in which that conclusion is expressed. It is not intended to limit the determination required by paragraph 25(a).

A151. The applicable financial reporting framework is identified in such terms as:

- "... in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board;"
- "... in accordance with accounting principles generally accepted in Jurisdiction X ..."

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A152. When the applicable financial reporting framework encompasses financial reporting standards and legal or regulatory requirements, the framework is identified in terms such as "... in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of Jurisdiction X Corporations Act."

Basis for Conclusion (Ref: Para. 95(d))

A153. The reference to the standard used by the auditor for the review of interim financial information conveys to the users of the auditor's interim review report that the interim review engagement has been conducted in accordance with established standards.

A154. The auditor's interim review report states that the auditor's responsibility is to express a conclusion on the interim financial information based on the review performed, to contrast the auditor's responsibility with management's responsibility for preparation of the interim financial information.

A155. The description of the nature of an interim review engagement in the auditor's interim review report explains the scope and limitations of the engagement for the benefit of the readers of the report. This explanation clarifies, for avoidance of doubt, that the interim review engagement is not an audit and that accordingly, the auditor does not express an audit opinion on the interim financial information.

Management's Responsibility for the Interim Financial Information (Ref: Para. 95(f))

A156. The description of management's responsibilities in the auditor's interim review report provides context for readers of the report about management's responsibilities as they relate to the engagement performed.

A157. The auditor's interim review report need not refer specifically to "management" but instead may use the term that is appropriate in the context of the legal framework in the particular jurisdiction. In some jurisdictions, the appropriate reference is to those charged with governance of the entity.

A158. There may be circumstances when it is appropriate for the auditor to add to the description of management's responsibilities as described in this ISRE, to reflect additional responsibilities that are relevant to the preparation of the interim financial information in the context of a jurisdiction, or due to the type of entity.

A159. In some jurisdictions, law or regulation prescribing management's responsibilities may specifically refer to a responsibility for the adequacy of the accounting books and records, or accounting system. As books, records and systems are an integral part of internal control, this ISRE does not use these descriptions or make any specific reference to them.

Signature of the Auditor (Ref: Para. 95(g))

A160. The auditor's signature is either in the name of the audit firm, the personal name of the auditor, or both, as appropriate. In addition to the auditor's signature, the auditor may be required to state in the auditor's interim review report the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority.

A161. In some cases, law or regulation may allow for the use of electronic signatures in the auditor's interim review report.

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Name of the Engagement Partner (Ref: Para. 96)

A162. ISA 700 (Revised) explains that law, regulation or national auditing standards may also require that the auditor's report include the name of the engagement partner responsible for audits other than those of financial statements of publicly traded entities. This may also be the case for the auditor's interim review report on the interim financial information of entities that are not publicly traded entities. ISA 700 (Revised) provides additional guidance that may be useful in those circumstances, including the rare circumstances in which disclosure of the name of the engagement partner may lead to a significant personal security threat.²⁵

Expressing the Auditor's Interim Review Conclusion

Unmodified Conclusion (Ref: Para. 98)

A163. In the case of interim financial information prepared in accordance with a fair presentation framework, the "[...]" in paragraph 98(a) is replaced with a description of the matters that the interim financial information is designed to present. For example, in the case of interim financial statements prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board, the "[...]" would be replaced with a reference to *the financial position of the entity as at the end of the period and the entity's financial performance and cash flows for the period then ended*.

A164. Whether the phrase "present fairly, in all material respects," or the phrase "gives a true and fair view" is used in a particular jurisdiction is determined by the law or regulation governing the review of the interim financial information in that jurisdiction, or by generally accepted practice in that jurisdiction. If law or regulation requires the use of different wording, this does not affect the requirement in this ISRE for the auditor to evaluate the fair presentation of the interim financial information prepared in accordance with a fair presentation framework.

Modified Conclusion (Ref: Para. 99)

A165. If the auditor expresses a modified conclusion and management issues the interim financial information without including the modified interim review report in the document containing the interim financial information, the auditor may consider seeking legal advice to determine the appropriate course of action in the circumstances, or the possibility of resigning from the appointment to audit the annual financial statements.

Interim financial information is materially misstated (Ref: Para. 101)

A166. Examples of a qualified conclusion on the interim financial information due to a material misstatement: (Ref: Para. 101(a))

- (a) For a fair presentation framework – "Based on our review, except for the effects of the matter(s) described in the Basis for Qualified Conclusion section, nothing has come to our attention that causes us to believe that the interim financial information does not present fairly, in all material respects, [...] in accordance with [the applicable financial reporting framework]"; or

²⁵ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraphs A63-A64

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- (b) For a compliance framework – “Based on our review, except for the effects of the matter(s) described in the Basis for Qualified Conclusion section, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with [the applicable financial reporting framework].”

A167. Examples of an adverse conclusion on the interim financial information due to a material misstatement: (Ref: Para. 101(b))

- (a) For a fair presentation framework - “Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion section, the interim financial information does not present fairly, in all material respects, ... in accordance with [the applicable financial reporting framework];” or
- (b) For a compliance framework - “Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion section, the interim financial information is not prepared, in all material respects, in accordance with [the applicable financial reporting framework].”

A168. Disclosing the omitted information within the Basis for Conclusion section would not be practicable if:

- (a) The disclosures have not been prepared by management or the disclosures are otherwise not readily available to the auditor; or
- (b) In the auditor's judgment, the disclosures would be unduly voluminous in the auditor's interim review report.

Inability to obtain sufficient appropriate evidence (Ref: Para 103-105)

A169. Example wording for a qualified conclusion due to an inability to obtain sufficient appropriate evidence is the same as in paragraphs A166(a) and (b), except that the word “effects” would be replaced with “possible effects.”

A170. In the circumstances described by paragraph 105, the auditor may also need to consider the implications for the audit of the entity's annual financial statements and, more broadly, continuance of the relationship with the audit client.

A171. Withdrawal from the interim review engagement may not be possible, for example, because there is a legal or regulatory requirement for the auditor to issue an interim review report. If the auditor has substantially completed the interim review, the auditor may decide to complete the review to the extent possible, disclaim a conclusion and explain the scope limitation in the Basis for Disclaimer of Conclusion section of the interim review report, in addition to communicating these matters to those charged with governance in accordance with paragraph 38.

Disclaimer of conclusion – multiple uncertainties (Ref: Para. 106)

A172. In extremely rare circumstances involving multiple uncertainties, the auditor may conclude that, notwithstanding having obtained sufficient appropriate evidence regarding each of the individual uncertainties, it is not possible to form a conclusion on the interim financial information as a whole

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due to the potential interaction of the uncertainties and the possible cumulative effect on the interim financial information.

Going Concern (Ref: Para. 108-114)

A173. The information required by paragraphs 108-114 represents the minimum information that is to be presented in the auditor's interim review report in each of the circumstances described. The auditor may provide additional information, for example, drawing attention to key aspects of the related disclosure(s), such as management's judgments. Illustrations 1 and 2 in Appendix 2 provide examples of the Going Concern section of the interim review report in the circumstances described in paragraphs 109 and 110 respectively. Appendix 1 includes illustrative interim review reports containing examples of the Going Concern section in the circumstances described in paragraphs 108 (see illustrations 1-3 and 5-6) and 112 (see illustration 4).

Other Circumstances Related to Going Concern (Ref: Para. 111)

A174. Circumstances in which the auditor may consider that it is appropriate to draw users' attention to a matter related to going concern, other than a material uncertainty, may include:

- The auditor's report on the most recent annual financial statements of the entity included a Material Uncertainty Related to Going Concern section, and the events or conditions that led the auditor to conclude that a material uncertainty existed at that date have been resolved in the interim period, and the resolution has been disclosed in the interim financial information in accordance with the applicable financial reporting framework.
- Significant judgments were made by management in concluding that there is no material uncertainty at the interim reporting date related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and adequate disclosure about such judgments was provided in the interim financial information in accordance with the requirements of the applicable financial reporting framework. Illustration 3 in Appendix 2 provides an example of the Going Concern section of the interim review report in these circumstances.

A175. If the auditor's evaluation in accordance with paragraph 65 indicates that a disclosure about significant judgments made by management in concluding that there is no material uncertainty is inadequate, and the auditor determines that the interim financial information is materially misstated, the auditor is required to express a modified conclusion in accordance with paragraph 99(a). In such circumstances, the requirements in paragraph 108 apply and the auditor may also include a reference to the Basis for Qualified Conclusion section from within the Going Concern section.

Considerations If the Auditor Disclaims a Conclusion on the Interim Financial Information (Ref: Para. 114)

A176. Including a separate section on going concern in the auditor's interim review report when the auditor disclaims a conclusion on the interim financial information would be inconsistent with the disclaimer of conclusion on the interim financial information as a whole, and may suggest that the interim financial information is more credible in relation to those matters.

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Other Reporting Responsibilities (Ref: Para. 115)

- A177. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility under this ISRE. Law or regulation may require or permit the auditor to report on these other responsibilities within the auditor's interim review report, or in a separate report.
- A178. If required or permitted to report on these other responsibilities in the auditor's interim review report, creating separate sections in the report for the "Report on the Interim Financial Information" and the "Report on Other Legal and Regulatory Requirements" clearly distinguishes the auditor's responsibility under this ISRE to report on the interim financial information from other responsibilities. Such a separate section may contain sub-heading(s) that describe(s) the content of the other reporting responsibility paragraph(s).

Date of the Auditor's Review Report (Ref: Para. 95(i), 116)

- A179. The date of the auditor's interim review report informs intended users that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date.
- A180. Since the auditor's conclusion is provided on the interim financial information and the interim financial information is the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate evidence has been obtained until evidence is obtained that all the statements and disclosures that comprise the interim financial information have been prepared and management has accepted responsibility for them.
- A181. Law or regulation may identify the individuals or bodies (e.g., the directors) that are responsible for concluding that all the statements and disclosures that comprise the interim financial information have been prepared, and may specify the necessary approval process. In such cases, evidence is obtained of that approval before dating the review report on the interim financial information. However, the approval process may not be prescribed in law or regulation. In such cases, the auditor may consider the procedures the entity follows in preparing and finalizing its interim financial information, in view of its management and governance structures, to identify the individuals or body with the authority to conclude that all the statements and disclosures that comprise the interim financial information, including the related notes, have been prepared.
- A182. Paragraph A109 explains the date of approval of the interim financial information for purposes of this ISRE.

Auditor's Review Report Prescribed by Law or Regulation (Ref: Para. 31-32, 95)

- A183. When specific requirements in a particular jurisdiction do not conflict with this ISRE, adoption of the layout and wording used in this ISRE assists intended users of the auditor's review report to more readily recognize the auditor's interim review report as a report on a review of interim financial information, conducted in accordance with this ISRE. Paragraphs 31-32 address circumstances in which law or regulation prescribes the layout or wording of the auditor's interim review report in terms that are significantly different from the requirements of this ISRE.

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Documentation

Form, Content and Extent of Engagement Documentation (Ref: Para. 120-123)

A184. An important factor in determining the form, content and extent of engagement documentation related to significant matters arising during the engagement is the extent to which the matters involved the exercise of professional judgment. Documenting significant professional judgments made serves to explain the auditor's conclusions, and to reinforce the quality of the judgments and support the auditor's overall conclusion on the interim financial information.

Assembly of the Engagement Documentation (Ref: Para. 124-125)

A185. The firm's policies or procedures may address the assembly of engagement documentation, including that engagement documentation is assembled on a timely basis after the date of the auditor's interim review report, and is appropriately maintained and retained to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.²⁶

A186. Such policies or procedures may also include specific considerations for the auditor to address when audit procedures for the annual financial statements are performed concurrently with the review of interim financial information (see paragraph A92). Maintaining separate documentation for each engagement allows the auditor to clearly distinguish the evidence obtained from procedures performed for purposes of the respective engagements. This separation assists the auditor with complying with paragraph 120, which specifies that the documentation for the interim review engagement evidences the basis for the auditor's limited assurance conclusion.

²⁶ ISQM 1, paragraph 31(f)

Appendix 1

(Ref: Para. A146)

Illustrations of Independent Auditor's Reports on Interim Financial Information

- **Illustration 1:** An interim review report on the condensed consolidated interim financial information of a publicly traded entity (a group) containing an unmodified conclusion. The interim financial information was prepared in accordance with a fair presentation framework.
- **Illustration 2:** An interim review report on the condensed interim financial information of an entity other than a publicly traded entity containing an unmodified conclusion. The interim financial information was prepared in accordance with a compliance framework.
- **Illustration 3:** An interim review report on the condensed consolidated interim financial information of a publicly traded entity (a group) prepared in accordance with a fair presentation framework. The auditor's report contains a qualified conclusion due to a material misstatement of the interim financial information. The auditor concluded that the misstatement was material but not pervasive to the interim financial information as a whole.
- **Illustration 4:** An interim review report on the condensed interim financial information of a publicly traded entity prepared in accordance with a fair presentation framework. The auditor's report contains a qualified conclusion due to inadequate disclosure of a material uncertainty related to going concern. The auditor concluded that the effects of the inadequate disclosure are material but not pervasive to the interim financial information as a whole.
- **Illustration 5:** An interim review report on the condensed interim financial information of a publicly traded entity prepared in accordance with a fair presentation framework. The auditor's report contains a qualified conclusion due to an inability to obtain sufficient appropriate evidence. The auditor concluded that the possible effects of the inability to obtain sufficient appropriate evidence could be material but not pervasive to the interim financial information as a whole.
- **Illustration 6:** An interim review report on the interim financial information of an entity other than a publicly traded entity prepared in accordance with a compliance framework. The auditor's report contains an adverse conclusion due to the non-consolidation of subsidiaries required to be consolidated in accordance with the applicable financial reporting framework. The auditor concluded that the effects were material and pervasive to the interim financial information as a whole.

Illustration 1 – An Interim Review Report on the Condensed Consolidated Interim Financial Information of a Publicly Traded Entity Prepared in Accordance with a Fair Presentation Framework Containing an Unmodified Conclusion

For purposes of this illustrative interim review report, the following circumstances are assumed:

- Review of the condensed consolidated interim financial information of a publicly traded entity prepared in accordance with a fair presentation framework. The entity is a group.
- The terms of the engagement reflect the description of management's responsibility for the interim financial information in paragraph 25(b) of this ISRE.
- Based on the evidence obtained, nothing has come to the auditor's attention that caused the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework (i.e., an unmodified conclusion is appropriate).
- The relevant ethical requirements that apply to the interim review engagement comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). The IESBA Code requires the auditor to publicly disclose that the independence requirements applicable to audits or reviews of public interest entities were applied.
- Based on the evidence obtained, nothing has come to the auditor's attention that caused the auditor to believe that management's use of the going concern basis of accounting in the preparation of the consolidated interim financial information is inappropriate. In addition, nothing has come to the auditor's attention to indicate that a material uncertainty related to going concern exists in the interim period.
- In addition to the review of the consolidated interim financial information, the auditor has other reporting responsibilities required under local law or regulation.

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INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of the Consolidated Interim Financial Information²⁷

Conclusion

We have reviewed the accompanying consolidated interim financial information of ABC Company (the Company) and its subsidiaries (the Group), which comprises the condensed²⁸ consolidated statement of financial position as at March 31, 20X1, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the notes to the consolidated interim financial information, including material accounting policy information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not [*either* "present fairly, in all material respects," *or* "give a true and fair view of"] the consolidated financial position of the Group as at March 31, 20X1, and [of] its consolidated financial performance and its consolidated cash flows for the three-month period then ended, in accordance with [the applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ISRE 2410 (Revised) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements*. We are responsible for expressing a conclusion on the consolidated interim financial information based on our review. A review of interim financial information performed in accordance with this ISRE is a limited assurance engagement. A review involves performing procedures, primarily consisting of inquiries and analytical procedures, and evaluating the evidence obtained. The procedures performed in a review of interim financial information vary in nature and timing from, and are less in extent than, those performed in an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable us to become aware of all significant matters that might be identified in an audit. Accordingly, the level of assurance obtained in a review of interim financial information is substantially lower than in an audit, and therefore we do not express an audit opinion on the consolidated interim financial information.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits or reviews of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

²⁷ The sub-title "Report on the Review of the Consolidated Interim Financial Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable. See paragraph A178.

²⁸ If the interim financial information comprises a complete set of interim financial statements, the references to "condensed" in the Conclusion section of the interim review report would be excluded.

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Going Concern

In the context of our review of the consolidated interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the consolidated interim financial information is inappropriate. Based on the evidence obtained, nothing has come to our attention to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Group's ability to continue as a going concern.

Management's Responsibility for the Consolidated Interim Financial Information

Management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with [the applicable financial reporting framework] and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated interim financial information, management is responsible for assessing the Group's ability to continue as a going concern, as well as disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the interim review report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards.]

The engagement partner on the engagement resulting in this independent auditor's interim review report is [name].

[Auditor's signature]

[Auditor's address]

[Date of the auditor's interim review report]

Illustration 2 – An Interim Review Report on the Condensed Interim Financial Information of an Entity Other Than a Publicly Traded Entity Prepared in Accordance with a Compliance Framework Containing an Unmodified Conclusion

For purposes of this illustrative interim review report, the following circumstances are assumed:

- Review of the condensed interim financial information of an entity other than a publicly traded entity prepared in accordance with a compliance framework. The entity is not a group.
- The terms of the engagement reflect the description of management's responsibility for the interim financial information in paragraph 25(b) of this ISRE.
- Based on the evidence obtained, nothing has come to the auditor's attention that caused the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework (i.e., an unmodified conclusion is appropriate).
- The relevant ethical requirements that apply to the interim review engagement comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements relating to the audit in the jurisdiction, and the auditor refers to both.
- Based on the evidence obtained, nothing has come to the auditor's attention that caused the auditor to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate. In addition, nothing has come to the auditor's attention to indicate that a material uncertainty related to going concern exists in the interim period.
- In addition to the review of the interim financial information, the auditor has other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of the Interim Financial Information²⁹

Conclusion

We have reviewed the accompanying interim financial information of ABC Company (the Company), which comprises the condensed³⁰ statement of financial position as at March 31, 20X1, and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the notes to the interim financial information, including material accounting policy information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with [the applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ISRE 2410 (Revised) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements*. We are responsible for expressing a conclusion on the interim financial information based on our review. A review of interim financial information performed in accordance with this ISRE is a limited assurance engagement. A review involves performing procedures, primarily consisting of inquiries and analytical procedures, and evaluating the evidence obtained. The procedures performed in a review of interim financial information vary in nature and timing from, and are less in extent than, those performed in an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable us to become aware of all significant matters that might be identified in an audit. Accordingly, the level of assurance obtained in a review of interim financial information is substantially lower than in an audit, and therefore we do not express an audit opinion on the interim financial information.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to interim review engagements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Going Concern

In the context of our review of the interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate. Based on the evidence obtained, nothing has come to our attention to indicate that a material uncertainty exists related

²⁹ The sub-title "Report on the Review of the Interim Financial Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable. See paragraph A178.

³⁰ If the interim financial information comprises a complete set of interim financial statements, the references to "condensed" in the Conclusion section of the interim review report would be excluded.

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to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.

Management's Responsibility for the Interim Financial Information

Management is responsible for the preparation of the interim financial information in accordance with [the applicable financial reporting framework] and for such internal control as management determines is necessary to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error.

In preparing the interim financial information, management is responsible for assessing the Company's ability to continue as a going concern, as well as disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the interim review report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards.]

The engagement partner on the engagement resulting in this independent auditor's interim review report is [name].

[Auditor's signature]

[Auditor's address]

[Date of the auditor's interim review report]

Illustration 3 – An Interim Review Report on the Condensed Consolidated Interim Financial Information of a Publicly Traded Entity Containing a Qualified Conclusion Due to a Material Misstatement

For purposes of this illustrative interim review report, the following circumstances are assumed:

- Review of the condensed consolidated interim financial information of a publicly traded entity prepared in accordance with a fair presentation framework. The entity is a group.
- The terms of the engagement reflect the description of management's responsibility for the interim financial information in paragraph 25(b) of this ISRE.
- The auditor has concluded that the interim financial information is materially misstated due to a departure from the applicable financial reporting framework related to the non-capitalization of certain lease obligations. A qualified conclusion is being expressed because the auditor concluded that the effects on the interim financial information are material but not pervasive to the interim financial information as a whole.
- The relevant ethical requirements that apply to the interim review engagement comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). The IESBA Code requires the auditor to publicly disclose that the independence requirements applicable to audits or reviews of public interest entities were applied.
- Based on the evidence obtained, nothing has come to the auditor's attention that caused the auditor to believe that management's use of the going concern basis of accounting in the preparation of the consolidated interim financial information is inappropriate. In addition, nothing has come to the auditor's attention to indicate that a material uncertainty related to going concern exists in the interim period.
- In addition to the review of the consolidated interim financial information, the auditor has other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of the Consolidated Interim Financial Information³¹

Qualified Conclusion

We have reviewed the accompanying consolidated interim financial information of ABC Company (the Company) and its subsidiaries (the Group), which comprises the condensed³² consolidated statement of financial position as at March 31, 20X1, and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the notes to the consolidated interim financial information, including material accounting policy information.

Based on our review, except for the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not [*either* "present fairly, in all material respects," *or* "give a true and fair view of"] the consolidated financial position of the Group as at March 31, 20X1, and [of] its consolidated financial performance and its consolidated cash flows for the three-month period then ended, in accordance with [the applicable financial reporting framework].

Basis for Qualified Conclusion

Based on information provided to us by management, the consolidated interim financial information excludes certain lease obligations that we believe should be capitalized to conform with [the applicable financial reporting framework]. If these lease obligations were capitalized at March 31, 20X1, property would be increased by xxx, long-term debt by xxx, and net income and earnings per share would be increased (decreased) by xxx and xxx, respectively, for the three-month period then ended.

We conducted our review in accordance with ISRE 2410 (Revised) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements*. We are responsible for expressing a conclusion on the consolidated interim financial information based on our review. A review of interim financial information performed in accordance with this ISRE is a limited assurance engagement. A review involves performing procedures, primarily consisting of inquiries and analytical procedures, and evaluating the evidence obtained. The procedures performed in a review of interim financial information vary in nature and timing from, and are less in extent than, those performed in an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable us to become aware of all significant matters that might be identified in an audit. Accordingly, the level of assurance obtained in a review of interim financial information is substantially lower than in an audit, and therefore we do not express an audit opinion on the consolidated interim financial information.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International*

³¹ The sub-title "Report on the Review of the Consolidated Interim Financial Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable. See paragraph A178.

³² If the interim financial information comprises a complete set of interim financial statements, the references to "condensed" in the Conclusion section of the interim review report would be excluded.

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Independence Standards) (IESBA Code), as applicable to audits or reviews of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

Going Concern

In the context of our review of the consolidated interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the consolidated interim financial information is inappropriate. Based on the evidence obtained, nothing has come to our attention to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Group's ability to continue as a going concern.

Management's Responsibility for the Consolidated Interim Financial Information

Management is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with [the applicable financial reporting framework] and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated interim financial information, management is responsible for assessing the Group's ability to continue as a going concern, as well as disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the interim review report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards.]

The engagement partner on the engagement resulting in this independent auditor's interim review report is [name].

[Auditor's signature]

[Auditor's address]

[Date of the auditor's interim review report]

Illustration 4 – An Interim Review Report on the Condensed Interim Financial Information of a Publicly Traded Entity Containing a Qualified Conclusion Due to Inadequate Disclosure of Material Uncertainty Related to Going Concern

For purposes of this illustrative interim review report, the following circumstances are assumed:

- Review of the condensed interim financial information of a publicly traded entity prepared in accordance with a fair presentation framework. The entity is not a group.
- The terms of the engagement reflect the description of management's responsibility for the interim financial information in paragraph 25(b) of this ISRE.
- The relevant ethical requirements that apply to the interim review engagement comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). The IESBA Code requires the auditor to publicly disclose that the independence requirements applicable to audits or reviews of public interest entities were applied.
- Based on the evidence obtained, the auditor's evaluation has indicated that a material uncertainty related to going concern exists. Note C to the interim financial information indicates that the Company's financing arrangements are set to expire and that the Company has been unable to conclude renegotiations or obtain replacement financing. However, the interim financial information does not include a discussion of the impact or the availability of refinancing or characterize this situation as a material uncertainty.
- The interim financial information is materially misstated due to the inadequate disclosure of the material uncertainty related to going concern. A qualified conclusion is being expressed because the auditor concluded that the effects on the interim financial information of this inadequate disclosure are material but not pervasive to the interim financial information as a whole.
- Based on the evidence obtained, nothing has come to the auditor's attention that caused the auditor to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate.
- In addition to the review of the interim financial information, the auditor has other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of the Interim Financial Information³³

Qualified Conclusion

We have reviewed the accompanying interim financial information of ABC Company (the Company), which comprises the condensed³⁴ statement of financial position as at March 31, 20X1, and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the notes to the interim financial information, including material accounting policy information.

Based on our review, except for the incomplete disclosure of the information referred to in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not [*either* “present fairly, in all material respects,” *or* “give a true and fair view of”] the financial position of ABC Company as at March 31, 20X1, and [of] its financial performance and its cash flows for the three-month period then ended, in accordance with [the applicable financial reporting framework].

Basis for Qualified Conclusion

As disclosed in Note C in the accompanying interim financial information, the Company's financing arrangements expire and amounts outstanding are payable on March 19, 20X2. The Company has been unable to conclude renegotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The interim financial information does not adequately disclose this matter.

We conducted our review in accordance with ISRE 2410 (Revised) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements*. We are responsible for expressing a conclusion on the interim financial information based on our review. A review of interim financial information performed in accordance with this ISRE is a limited assurance engagement. A review involves performing procedures, primarily consisting of inquiries and analytical procedures, and evaluating the evidence obtained. The procedures performed in a review of interim financial information vary in nature and timing from, and are less in extent than, those performed in an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable us to become aware of all significant matters that might be identified in an audit. Accordingly, the level of assurance obtained in a review of interim financial information is substantially lower than in an audit, and therefore we do not express an audit opinion on the interim financial information.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits or reviews of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

³³ The sub-title “Report on the Review of the Interim Financial Information” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable. See paragraph A178.

³⁴ If the interim financial information comprises a complete set of interim financial statements, the references to “condensed” in the Conclusion section of the interim review report would be excluded.

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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

Material Uncertainty Related to Going Concern

As described in the Basis for Qualified Conclusion section of our report, a material uncertainty related to going concern exists that has not been adequately disclosed in the interim financial information.

In the context of our review of the interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.

Management's Responsibility for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with [the applicable financial reporting framework] and for such internal control as management determines is necessary to enable the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

In preparing the interim financial information, management is responsible for assessing the Company's ability to continue as a going concern, as well as disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the interim review report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards.]

The engagement partner on the engagement resulting in this independent auditor's interim review report is [name].

[Auditor's signature]

[Auditor's address]

[Date of the auditor's interim review report]

Illustration 5 – An Interim Review Report on the Condensed Interim Financial Information of a Publicly Traded Entity Containing a Qualified Conclusion Due to an Inability to Obtain Sufficient Appropriate Evidence

For purposes of this illustrative interim review report, the following circumstances are assumed:

- Review of the condensed interim financial information of a publicly traded entity prepared in accordance with a fair presentation framework. The entity is not a group.
- The terms of the engagement reflect the description of management's responsibility for the interim financial information in paragraph 25(b) of this ISRE.
- The auditor was unable to complete the review of accounts receivable at a branch location due to a fire at that location that destroyed its accounts receivable records. A qualified conclusion is being expressed because the auditor concluded that the possible effects on the interim financial information could be material but not pervasive to the interim financial information as a whole.
- The relevant ethical requirements that apply to the interim review engagement comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). The IESBA Code requires the auditor to publicly disclose that the independence requirements applicable to audits or reviews of public interest entities were applied.
- Based on the evidence obtained, nothing has come to the auditor's attention that causes the auditor to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate. In addition, nothing has come to the auditor's attention to indicate that a material uncertainty related to going concern exists in the interim period.
- In addition to the review of the interim financial information, the auditor has other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of the Interim Financial Information³⁵

Qualified Conclusion

We have reviewed the accompanying interim financial information of ABC Company (the Company), which comprises the condensed³⁶ statement of financial position as at March 31, 20X1, and the related condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the notes to the interim financial information, including material accounting policy information.

Based on our review, except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not [*either* "present fairly, in all material respects," or "give a true and fair view of"] the financial position of ABC Company as at March 31, 20X1, and [of] its financial performance and its cash flows for the three-month period then ended, in accordance with [the applicable financial reporting framework].

Basis for Qualified Conclusion

As a result of a fire in a branch office on (date) that destroyed its accounts receivable records, we were unable to complete our review procedures for accounts receivable totaling xxx included in the interim financial information. The entity is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown and the related allowance for uncollectible accounts. Had we been able to complete our review procedures for accounts receivable, we might have become aware of matters indicating that material adjustments were necessary to the interim financial information.

We conducted our review in accordance with ISRE 2410 (Revised) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements*. We are responsible for expressing a conclusion on the interim financial information based on our review. A review of interim financial information performed in accordance with this ISRE is a limited assurance engagement. A review involves performing procedures, primarily consisting of inquiries and analytical procedures, and evaluating the evidence obtained. The procedures performed in a review of interim financial information vary in nature and timing from, and are less in extent than, those performed in an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable us to become aware of all significant matters that might be identified in an audit. Accordingly, the level of assurance obtained in a review of interim financial information is substantially lower than in an audit, and therefore we do not express an audit opinion on the interim financial information.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International*

³⁵ The sub-title "Report on the Review of the Interim Financial Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable. See paragraph A178.

³⁶ If the interim financial information comprises a complete set of interim financial statements, the references to "condensed" in the Conclusion section of the interim review report would be excluded.

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Independence Standards) (IESBA Code), as applicable to audits or reviews of public interest entities, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.

Going Concern

In the context of our review of the interim financial information, and in forming our qualified conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate. Based on the evidence obtained, nothing has come to our attention to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.

Management's Responsibility for the Interim Financial Information

Management is responsible for the preparation and fair presentation of the interim financial information in accordance with [the applicable financial reporting framework] and for such internal control as management determines is necessary to enable the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

In preparing the interim financial information, management is responsible for assessing the Company's ability to continue as a going concern, as well as disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the interim review report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards.]

The engagement partner on the engagement resulting in this independent auditor's interim review report is [name].

[Auditor's signature]

[Auditor's address]

[Date of the auditor's interim review report]

Illustration 6 – An Interim Review Report on the Consolidated Interim Financial Information of an Entity Other Than a Publicly Traded Entity Containing an Adverse Conclusion Due to Non-Consolidation of Controlled Entities

For purposes of this illustrative interim review report, the following circumstances are assumed:

- Review of the consolidated interim financial information of an entity other than a publicly traded entity prepared in accordance with a compliance framework. The entity is a group.
- The terms of the engagement reflect the description of management's responsibility for the interim financial information in paragraph 25(b) of this ISRE.
- Based on the evidence obtained, the auditor concluded that the consolidated interim financial information did not include the financial information of certain entities under the control of the Company, which is not in accordance with the requirements of the applicable financial reporting framework.
- The relevant ethical requirements that apply to the interim review engagement comprise the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements relating to the audit in the jurisdiction, and the auditor refers to both.
- Based on the evidence obtained, nothing has come to the auditor's attention that caused the auditor to believe that management's use of the going concern basis of accounting in the preparation of the consolidated interim financial information is inappropriate. In addition, nothing has come to the auditor's attention to indicate that a material uncertainty related to going concern exists in the interim period.
- In addition to the review of the consolidated interim financial information, the auditor has other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S INTERIM REVIEW REPORT

To [Appropriate Addressee]

Report on the Review of the Consolidated Interim Financial Information³⁷

Adverse Conclusion

We have reviewed the accompanying consolidated interim financial information of ABC Company (the Company) and its subsidiaries, which comprises the consolidated statement of financial position as at March 31, 20X1, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and the notes to the consolidated interim financial information, including material accounting policy information.

Based on our review, due to the significance of the matter described in the Basis for Adverse Conclusion section of our report, the accompanying consolidated interim financial information is not prepared, in all material respects, in accordance with [the applicable financial reporting framework].

Basis for Adverse Conclusion

The consolidated interim financial information does not include the financial information of XYZ Company and BCD Company (the non-consolidated subsidiaries), which are controlled by ABC Company. This is not in accordance with [the applicable financial reporting framework]. It is not practicable, in the context of our review engagement, to quantify in full the financial effects of this matter. Had the financial information of the non-consolidated subsidiaries been included, nearly every area of the consolidated interim financial information would have been materially different.

We conducted our review in accordance with ISRE 2410 (Revised) *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements*. We are responsible for expressing a conclusion on the consolidated interim financial information based on our review. A review of interim financial information performed in accordance with this ISRE is a limited assurance engagement. A review involves performing procedures, primarily consisting of inquiries and analytical procedures, and evaluating the evidence obtained. The procedures performed in a review of interim financial information vary in nature and timing from, and are less in extent than, those performed in an audit conducted in accordance with International Standards on Auditing. Consequently, a review of interim financial information does not enable us to become aware of all significant matters that might be identified in an audit. Accordingly, the level of assurance obtained in a review of interim financial information is substantially lower than in an audit, and therefore we do not express an audit opinion on the consolidated interim financial information.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), together with the ethical requirements that are relevant to interim review engagements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

³⁷ The sub-title "Report on the Review of the Consolidated Interim Financial Information" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable. See paragraph A178.

PROPOSED ISRE 2410 (REVISED), REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT
AUDITOR OF THE ENTITY'S ANNUAL FINANCIAL STATEMENTS

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our adverse conclusion.

Going Concern

In the context of our review of the consolidated interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that the Group's use of the going concern basis of accounting in the preparation of the consolidated interim financial information is inappropriate. Based on the evidence obtained, nothing has come to our attention to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Group's ability to continue as a going concern.

Management's Responsibility for the Consolidated Interim Financial Information

Management is responsible for the preparation of the consolidated interim financial information in accordance with [the applicable financial reporting framework] and for such internal control as management determines is necessary to enable the preparation of consolidated interim financial information that is free from material misstatement, whether due to fraud or error.

In preparing the consolidated interim financial information, management is responsible for assessing the Group's ability to continue as a going concern, as well as disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the interim review report would vary depending on the nature of the auditor's other reporting responsibilities prescribed by local law, regulation, or national auditing standards.]

The engagement partner on the engagement resulting in this independent auditor's interim review report is [name].

[Auditor's signature]

[Auditor's address]

[Date of the auditor's interim review report]

Appendix 2

(Ref: Para. A173, A174)

Illustrations of Going Concern Sections of the Independent Auditor's Interim Review Report**• Illustration 1** (see paragraph 109):

The going concern section of an interim review report with an unmodified conclusion, when the auditor's report on the most recent annual financial statements of the entity included a Material Uncertainty Related to Going Concern section and:

- The events or conditions that led the auditor to conclude that a material uncertainty existed remain at the interim reporting date, and
- Management has identified and adequately disclosed a material uncertainty related to going concern in the interim financial information.

• Illustration 2 (see paragraph 110):

The going concern section of an interim review report with an unmodified conclusion, when the auditor's report on the most recent annual financial statements of the entity did not include a Material Uncertainty Related to Going Concern section and:

- Events or conditions have been identified in the interim period that may cast significant doubt on the entity's ability to continue as a going concern and
- Management has identified and adequately disclosed a material uncertainty related to going concern in the interim financial information.

• Illustration 3 (see paragraph 111):

The going concern section of an interim review report with an unmodified conclusion, when:

- Significant judgments were made by management in concluding that there is no material uncertainty at the interim reporting date related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern;
- Management's disclosures are adequate; and
- In the auditor's judgment, the significant judgments made by management are fundamental to users' understanding of the interim financial information.

Illustration 1

Material Uncertainty Related to Going Concern

Our auditor's report on the Company's audited financial statements as at December 31, 20X0 and for the year then ended included a Material Uncertainty Related to Going Concern section, which referred to Note 4 of those financial statements. Note 4 indicated that [*describe the events or conditions*].

We draw attention to Note C in the accompanying interim financial information, which indicates that the Company incurred a net loss of xxx during the three-month period ended March 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by xxx. Note C also states that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

In the context of our review of the interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.

Illustration 2

Material Uncertainty Related to Going Concern

We draw attention to Note C in the accompanying interim financial information, which indicates that [*describe the events or conditions*]. Note C also states that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusion is not modified in respect of this matter.

In the context of our review of the interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.

Illustration 3

Going Concern

We draw attention to Note C in the accompanying interim financial information, which describes the uncertainties faced by the Company, the significant judgments made by management in assessing the entity's ability to continue as a going concern and the range of mitigating actions that have been deployed to address the effects on the Company's business activities.

Our conclusion is not modified in respect of this matter.

In the context of our review of the interim financial information, and in forming our conclusion thereon, nothing has come to our attention that causes us to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is inappropriate. Based on the evidence obtained, nothing has come to our attention to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our statements are based on the evidence obtained up to the date of our interim review report and are not a guarantee as to the Company's ability to continue as a going concern.

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Explanatory Memorandum

Proposed International Standard on
Review Engagements 2410 (Revised)

*Review of Interim
Financial Information
Performed by the
Independent Auditor of
the Entity's Annual
Financial Statements*

MAY 2026

COMMENTS DUE: SEPTEMBER 3, 2026



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This document was developed and approved by the International Auditing and Assurance Standards Board. It does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the International Standards on Auditing (ISAs) or other of the IAASB's International Standards.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

REQUEST FOR COMMENTS

This Explanatory Memorandum (EM) accompanies, and should be read along with, the Exposure Draft (ED) of Proposed International Standard for Review Engagements (ISRE) 2410 (Revised), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements* (ED-2410), which was developed and approved by the International Auditing and Assurance Standards Board® (IAASB®). This publication and ED-2410 may be downloaded from the IAASB website: www.iaasb.org.

The approved text is published in the English language. The proposals set out in the ED may be modified, based on comments received, before being issued as a final pronouncement.

Comments are requested by September 03, 2026.

Use of the Response Form

We welcome comments on all matters addressed in ED-2410, and we encourage all respondents to submit their comments electronically using the Response Form, which may be downloaded from the IAASB website: www.iaasb.org. Using the response form facilitates consistency in the structure of responses received from all our stakeholders, which assists us greatly in the timely and effective analysis of the responses.

The response form includes all questions in **Section II** of this EM. You may respond to all questions or only those questions for which you have specific comments.

All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

You can further assist our review and analysis by ensuring that your submission responds directly to the questions in the form, and includes the rationale for your answers:

- If you disagree with the proposals in the ED, please provide specific reasons for your disagreement and include specific suggestions for changes (including specific wording) that may be needed to the requirements or application material.
- If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view as support for the IAASB's proposals cannot always be inferred when not stated.

Throughout, please be specific about the sections, headings or paragraphs in the ED that your responses relate to.

Please refrain from inserting tables or text boxes in your responses.

When submitting a completed response form, it is not necessary to include a covering letter containing a summary of your key issues. The form provides an opportunity to include any other views you wish to place on the public record, should you choose to do so.

The completed response form can be uploaded using the “Submit Comment” link on [the Proposed ISRE 2410 \(Revised\) webpage](#).

EXPLANATORY MEMORANDUM

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EXPLANATORY MEMORANDUM TO THE ED FOR PROPOSED ISRE 2410 (REVISED), REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY'S ANNUAL FINANCIAL STATEMENTS)

Introduction

1. This memorandum provides background to, and an explanation of, the Exposure Draft of Proposed International Standard for Review Engagements (ISRE) 2410 (Revised), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements* (ED-2410), which was unanimously approved for exposure by the IAASB in March 2026.

Background

2. Within an entity's annual reporting cycle, an entity may be required, or voluntarily elect, to issue interim financial information providing regular and timely updates about its financial position and performance. An engagement to review such information by the auditor of the entity's annual financial statements ("interim review engagement") is intended to enhance intended users' confidence in the reported information and support their capital allocation decisions, thereby contributing to market stability.
3. ISRE 2410, which applies to such engagements, has not been revised since it was issued in 2005, while the financial reporting ecosystem has continued to evolve. In the intervening period, the IAASB's Clarity project¹ was completed, the International Framework for Assurance Engagements was revised, ISRE 2400 (Revised)² was issued (see also paragraphs 8-10 below), and a number of the International Standards on Auditing (ISAs) were revised as a result of public interest issues that may also be relevant to interim financial information and interim review engagements. Additionally, new drafting guidelines and principles³ were issued to support consistent drafting of clearer standards.
4. ISRE 2410 has not been subject to conforming and consequential amendments in recent projects of the IAASB to avoid giving the impression that it is up to date or that the standard has been revised more holistically. However, in this time, certain jurisdictions have revised their equivalent interim review standard or issued application guidance to support practitioners in their jurisdictions to evaluate the possible effect of some of these matters on interim review engagements. As a consequence, there have been inconsistencies arising in global practice in the work effort performed in, and in the reporting on, interim review engagements.

The Project to Revise ISRE 2410

5. The IAASB's [Strategy and Work Plan for 2024–2027](#) included a project to revise ISRE 2410 and the IAASB approved a [project proposal](#) for this revision in June 2025. The objective of the project is to establish a global baseline for the consistent performance and reporting on interim review engagements. More specifically, modernizing and revising ISRE 2410 seeks to:
 - (a) Address stakeholder expectations regarding matters to be addressed in an interim review engagement, while remaining proportionate to the purpose of such an engagement; and

¹ Extant ISRE 2410 is presented in a "pre-Clarity format." International standards in the pre-Clarity format contain basic principles and essential procedures (identified in bold type lettering and by the word "should," often referred to as "black letter requirements") together with related guidance in the form of explanatory and other material (often referred to as "grey letter material)," including appendices. See also paragraph 15 of the Preface to the International Quality Management, Auditing, Review Other Assurance and Related Services Pronouncements included in the [IAASB Handbook](#).

² ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

³ See the IAASB's [Complexity Understandability Scalability Proportionality \(CUSP\) Drafting Principles and Guidelines](#)

EXPLANATORY MEMORANDUM TO THE ED FOR PROPOSED ISRE 2410 (REVISED), REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY'S ANNUAL FINANCIAL STATEMENTS)

- (b) Promote consistent practice by independent auditors when designing and performing procedures for, and reporting on, engagements to review interim financial information.
6. The approved project proposal provides further background about the scope of the project, including the issues that were identified, an explanation of the information-gathering, targeted outreach, and other activities that formed the basis for the project proposal.

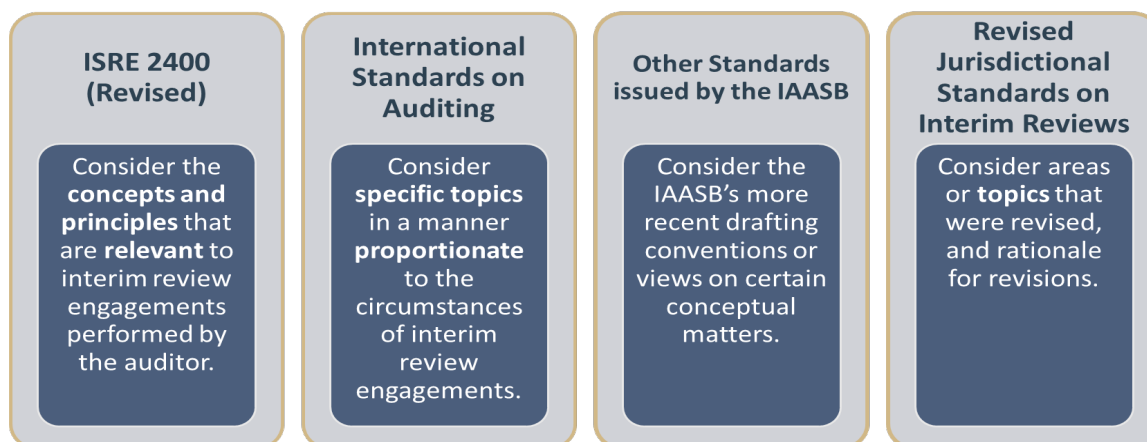
Priority Issues to be Addressed in ED-2410

7. The priority issues to be addressed, as identified in the project proposal included:
- (a) Clarifying principles and concepts relevant to interim review engagements;
 - (b) Modernizing ISRE 2410 to meet the expectations of intended users of interim financial information about the auditor's responsibilities for the review of interim financial information;
 - (c) Clarifying reporting and communication requirements to enhance the clarity of information for the intended users of interim financial information, including about the nature and scope of an interim review engagement; and
 - (d) Addressing, to the extent that is appropriate in a principles-based standard, certain practical challenges arising from differing interpretations or application of existing requirements.

Approach to Developing ED-2410

8. The IAASB's approach to developing ED-2410 required:
- (a) Setting up a skeleton standard based on the adoption of 'Clarity' conventions, enhanced by the IAASB's CUSP Drafting Principles and Guidelines;
 - (b) Identifying relevant terms, concepts or principles that have been subject to enhancements or revisions through other IAASB standards in the period since ISRE 2410 was issued, and considering whether the public interest rationale for those enhancements or revisions is relevant to interim review engagements; and
 - (c) Drafting additional material where necessary to support a comprehensive standard that would address key public interest matters, in the context of enabling it to achieve the overarching project objective.

The diagram below sets out the primary sources used in developing ED-2410.



EXPLANATORY MEMORANDUM TO THE ED FOR PROPOSED ISRE 2410 (REVISED), REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY'S ANNUAL FINANCIAL STATEMENTS)

9. In addressing the priority issues described, the IAASB acknowledged the unique nature and purpose of engagements performed in accordance with ED-2410 in the context of an entity's annual reporting cycle. In particular, the overarching purpose of an interim review engagement is to increase intended users' confidence in historical financial information that covers a period shorter than a year and which may not be presented as a complete set of financial statements (hence, interim financial *information*).
10. Accordingly, the IAASB's consideration of the completeness of requirements and application material in ED-2410, and their proportionality to the circumstances of interim review engagements, was done through two lenses:
 - (a) The 'review engagement' lens. This lens considered the performance requirements necessary to enable consistent interpretation and application of review procedures that are necessary and sufficient to obtain limited assurance over the historical financial information subject to review.
 - (b) The 'auditor-as-the-practitioner' lens. This lens considered the need to recognize both (i) the practitioner's audit expertise; and (ii) the auditor's knowledge of the entity obtained in previous annual audits or interim review engagements. Both of these factors provide for a more robust basis for the design and performance of procedures to obtain limited assurance than engagements performed in accordance with ISRE 2400 (Revised), which are performed by a practitioner who is not the auditor of the entity's annual financial statements.
11. In addition, the IAASB agreed that ED-2410 should remain a standalone standard, covering all aspects of the interim review engagement from acceptance to reporting.

Coordination with International Ethics Standards Board for Accountants (IESBA)

12. During the development of ED-2410, there was ongoing coordination between IESBA and IAASB technical staff on matters relevant to the interoperability of ED-2410 with the IESBA Code.⁴ Matters for discussion included the possible interaction of ED-2410 with the IESBA's standards addressing non-compliance with laws and regulations, and group audit engagements. Specific matters discussed included:
 - (a) The requirement in paragraph 20 of ED-2410 for the auditor to comply with relevant ethical requirements, including those related to independence.⁵
 - (b) The applicable requirements in the Code when information concerning non-compliance or suspected non-compliance with laws and regulations comes to the attention of the auditor during the performance of an interim review engagement in accordance with ED-2410 (see paragraphs 52 to 57 of ED-2410).

⁴ The IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards), referred to herein as "the IESBA Code" or "the Code."

⁵ ED-2410 defines "relevant ethical requirements" as "principles of professional ethics and ethical requirements that are applicable to professional accountants when undertaking the interim review engagement. Relevant ethical requirements ordinarily comprise the provisions of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) related to audit and review engagements, together with national requirements that are more restrictive."

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- (c) The applicable requirements in the Code when an auditor performs a review of the interim financial information of a group (a “group interim review engagement”) in accordance with ED-2410.
13. As a result of these discussions, in March 2026 the IESBA supported seeking information from its stakeholders regarding the application of the Code in two circumstances:
- (a) When an auditor performs an engagement to review group interim financial information, especially when component auditors perform certain procedures at the component level for the purpose of the group interim review engagement, and those component auditors are not a network firm, or when those component auditors are not component auditors that the auditor involves for the purpose of the group audit; and
- (b) When the auditor of the entity’s financial statements becomes aware of information concerning non-compliance or suspected non-compliance with laws and regulations during the performance of interim review engagements.
14. Accordingly, **Question E.1** in **Section II** below focuses on these matters. Additional contextual information is included in **Section I-C** below.

Key Stakeholder Engagement

15. The project proposal for the revision of ISRE 2410 identified the interests of three stakeholder groups as being most likely affected by the project objective: the intended users of interim financial information, those responsible for adoption and implementation of the IAASB’s standards, and the profession. The IAASB has engaged in outreach with key stakeholders throughout the development of ED-2410, including with the IAASB’s Stakeholder Advisory Council, jurisdictional and national standard-setters, international groups representing other stakeholders, such as the Forum of Firms, and jurisdictional groups representing various stakeholder views.
16. Targeted outreach with stakeholders will continue during and after the exposure period.

Section I - Significant Matters

A. The Public Interest of Proposed ISRE 2410 (Revised)

17. The project proposal included standard-setting actions that sought to address certain issues and challenges identified through the information-gathering process.⁶ The **Appendix** to this EM sets out a table that maps the key proposals in ED-2410 to the standard-setting actions in the project proposal, thereby supporting achieving the public interest objective of the project. The **Appendix** also highlights the qualitative standard-setting characteristics that were considered to be the criteria of most relevance with which to assess the proposed standard’s responsiveness to the public interest.

B. Clarity of Foundational Concepts in an Interim Review Engagement

18. The IAASB recognized the need to clearly establish the scope and applicability of ED-2410 to address challenges with understanding the nature and scope of the auditor’s work in these engagements, including how an interim review engagement differs from an audit of financial statements. The introductory paragraphs in ED-2410 seek to do so, drawing on wording in extant ISRE 2410 as well as other IAASB standards.

⁶ Refer to the approved Project Proposal, paragraph 13.

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Core Principles of an Interim Review Engagement in Accordance with ED-2410

19. The IAASB discussed whether, and the extent to which, the core principles underlying a review engagement performed in accordance with ISRE 2400 (Revised) are relevant and applicable to interim review engagements performed in accordance with ED-2410. In doing so, the IAASB reaffirmed the core principles of a review engagement, as described in paragraphs 5-7 of ED-2410, as including the following:
- (a) A review engagement is a limited assurance engagement, where the subject matter information is historical financial information prepared in accordance with an applicable financial reporting framework.
 - (b) In a review engagement, the practitioner's objective is to obtain sufficient appropriate evidence to provide a basis for concluding, with limited assurance, about whether historical financial information is free of material misstatement.
 - (c) The practitioner obtains this evidence by performing the procedures deemed necessary to meet the objective of a review engagement, which are primarily inquiries and analytical procedures. The nature, timing and extent of procedures required to be performed in a review engagement, to obtain limited assurance, are different from those required to be performed in an audit in accordance with the International Standards on Auditing (ISAs), because they are not performed for the purpose of concluding with reasonable assurance. These principles are also reflected in the definitions of "limited assurance" and "engagement risk" in paragraphs 13(f) and 13(c), respectively, of ED-2410.

Differences between an Interim Review Engagement and a Review Engagement in Accordance with ISRE 2400 (Revised)

20. The IAASB recognized the differences between an interim review engagement and a review engagement performed in accordance with ISRE 2400 (Revised). The core difference is that an engagement under ED-2410 is performed by the auditor of the entity's annual financial statements. Accordingly, unlike a practitioner commencing an engagement under ISRE 2400 (Revised), an auditor starts an interim review engagement in accordance with ED-2410 with a foundational level of knowledge about the entity and its environment, its system of internal control, and its financial reporting practices that informs the auditor's work on the interim review engagement.

Differences between an Interim Review Engagement and an Audit of Financial Statements

21. The IAASB also noted the need to emphasize the substantial differences between an interim review engagement and an audit of financial statements in accordance with the ISAs, notwithstanding that it is the auditor of the entity's annual financial statements who performs the engagement in accordance with ED-2410. Therefore the IAASB determined that it was appropriate to:
- (a) Include, in paragraphs 8 and 9 of ED-2410, a description of the differences from an audit of financial statements; and
 - (b) Be selective about the nature and extent of cross-references in ED-2410 to any ISAs, considering carefully those that may contain principles or concepts of relevance for the auditor to take into account when performing the interim review engagement.

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22. Accordingly, cross-references to the ISAs in ED-2410 have been limited to the following instances:
- (a) ISAs that address core concepts or principles that are relevant to both the audit of financial statements and an interim review engagement, or that address specific circumstances that may also be relevant to the interim review engagement:
- Paragraphs 21 and 22 of ED-2410 set out requirements related to professional skepticism and the exercise of professional judgment. The related application material includes a cross-reference to concepts described in the application material of ISA 220 (Revised),⁷ as those concepts are equally relevant to the auditor's mindset in applying ED-2410.
 - Paragraphs 23 and 24 and related application material reflect foundational principles of quality management at the engagement level, consistent with ISA 220 (Revised).
 - Paragraph A107 of ED-2410 refers to ISA 570 (Revised 2024)⁸ regarding requirements of financial reporting frameworks for management's assessment of the entity's ability to continue as a going concern.
 - Paragraph A162 of ED-2410 includes application material from ISA 700 (Revised)⁹ related to including the name of the engagement partner in the auditor's report, which may be useful in the context of the interim review engagement.
- (b) Considerations relevant to acceptance and continuance of the interim review engagement, recognizing the proximity to the auditor's acceptance and continuance of the audit engagement related to the entity's annual financial statements.
- Paragraphs 25-37 of ED-2410 set out overall principles of acceptance and continuance of an interim review engagement. While in some jurisdictions the terms of engagement for an audit and interim review engagements may need to be addressed separately, ED-2410 only applies to interim review engagements performed by the auditor of the entity's annual financial statements. Accordingly, the decision to accept an interim review engagement in accordance with ED-2410 cannot be taken without also having performed procedures required to accept an audit engagement in accordance with the ISAs. Similarly, the decision to continue an interim review engagement in accordance with ED-2410 is not independent from the decision to continue an audit engagement. As noted in the application material, acceptance and continuance procedures required by ED-2410 may be performed concurrently with the acceptance and continuance procedures required for the audit engagement. Therefore, the application material in ED-2410 refers to relevant principles in ISA 210,¹⁰ while retaining the necessary requirements for the interim review engagement.

⁷ ISA 220 (Revised), *Quality Management for An Audit of Financial Statements*

⁸ ISA 570 (Revised 2024), *Going Concern*

⁹ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹⁰ ISA 210, *Agreeing the Terms of Audit Engagements*

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- (c) Considerations for first-time interim review engagements. Paragraph A77 of ED-2410 refers to ISA 315 (Revised 2019)¹¹ relating to obtaining an understanding of the entity and its environment and the entity's system of internal control.
- (d) ISAs addressing work that the auditor may have performed for purposes of the audit of the entity's annual financial statements and whether, and if so, how or the extent to which such work may be relevant to the interim review engagement:
 - Paragraph A68 in relation to ISA 320.¹²
 - Paragraphs A72 and A74 in relation to ISA 315 (Revised 2019).
 - Paragraph A74 in relation to ISA 240 (Revised).¹³
 - Paragraph A115 of ED-2410 in relation to ISA 620.¹⁴

C. Complying with Relevant Ethical Requirements

23. Paragraph 4 of extant ISRE 2410 indicates that the auditor "should comply with the ethical requirements relevant to the audit of the annual financial statements of the entity." The IAASB noted that relevant ethical requirements in different jurisdictions may address interim review engagements in different ways. Therefore, the requirement in paragraph 20 of ED-2410 has been drafted in a more general way, consistent with the drafting of the related requirement in other recent IAASB standards. This also affects the statement about relevant ethical requirements in the auditor's interim review report: that the auditor is independent of the entity in accordance with relevant ethical requirements, and that the auditor has complied with their other ethical responsibilities in accordance with those requirements.
24. The use of the phrase "relevant ethical requirements, including those related to independence" recognizes that it is not within the IAASB's remit to specify *which* ethical requirements may apply in the context of a particular engagement in a given jurisdiction. This ethical framework-neutrality recognizes that ethical standards, codes or provisions in different jurisdictions may establish different ethical requirements for a given engagement, including the possibility that requirements that are relevant when performing an audit engagement may not apply, or apply in the same manner, when performing an interim review engagement for the same entity. For example, while the International Independence Standards in Part 4A of the IESBA Code apply to both audit and review engagements unless otherwise stated,¹⁵ other parts of the Code do not treat the terms "audit" and "review" as equivalent and therefore may not necessarily apply in the same way to both audit engagements and interim review engagements.
25. IAASB and IESBA staff noted that the formulation of paragraph 20 is consistent with how compliance with ethical requirements is typically framed in IAASB standards. The application material in ED-2410 (see, for example, paragraphs A17-A18) positions the Code as an example of relevant ethical requirements and explains the applicability of the independence provisions in Part 4A of the Code.

¹¹ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

¹² ISA 320, *Materiality in Planning and Performing an Audit*

¹³ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁴ ISA 620, *Using the Work of an Auditor's Expert*

¹⁵ IESBA Code, paragraph 400.2

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Accordingly, the IAASB was of the view that the construct of the baseline requirement in paragraph 20 does not inherently pose any interoperability concerns with the IESBA Code.

A Request for Information from the IESBA

26. Notwithstanding the interoperability of paragraph 20 of ED-2410 with the IESBA Code, the IAASB acknowledged that compliance with that paragraph requires an auditor to be able to determine which requirements of the IESBA Code apply in the circumstances of the engagement. In this regard, IESBA staff highlighted that it is the nature of the engagement, and not whether it is the auditor who is performing the engagement, that drives the identification of the applicable requirements of the IESBA Code. In some circumstances, however, questions may arise about how the IESBA Code applies in the context of an interim review engagement performed by the auditor of the entity's annual financial statements.
27. The following are two such circumstances that were identified in discussions between the IAASB and IESBA:
 - (a) When the auditor is performing an interim review engagement for a group; and
 - (b) When the auditor becomes aware of NOCLAR or suspected NOCLAR when performing an interim review engagement, which is a non-audit service.
28. In relation to group interim review engagements, the question arises from the fact that Section 405 of the Code, including new definitions of relevant terms, was developed in the context of group audits performed in accordance with ISA 600 (Revised),¹⁶ or other equivalent auditing standard, and includes specific references to ISA 600 (Revised). Section 405, however, does not explicitly exclude from its scope group interim review engagements performed in accordance with ISRE 2410, including circumstances involving component auditors.
29. In relation to NOCLAR, IESBA staff explained that there are different requirements in Section 360 that apply when a professional accountant is performing an audit of financial statements, compared to when a professional accountant is performing any other professional service (i.e., a non-audit service). Specifically, the provisions applicable to the interim review engagement are paragraphs R360.29 to 360.40 A1, and not paragraphs R360.10 to 360.28 A1, which apply to the audit. IESBA staff noted that, in practice, there should ultimately be no divergence in how the firm would respond to the NOCLAR or suspected NOCLAR in the context of the interim review engagement vs. in the context of the audit engagement. This is because, pursuant to paragraph R360.31(a), the professional accountant performing the interim review engagement would, unless prohibited by law or regulation, be required to communicate the NOCLAR or suspected NOCLAR within the firm in accordance with the firm's protocols or procedures, or in the absence of such protocols and procedures, directly to the audit engagement partner.
30. The IESBA considered these matters during its March 2026 [meeting](#)¹⁷ and determined that it would be appropriate to collaborate with the IAASB to seek input from stakeholders regarding whether the application of the IESBA Code is sufficiently clear in these two circumstances.
31. This will enable the IESBA to determine whether any clarifications to the Code or other actions are needed regarding the application of the Code in these two circumstances.

¹⁶ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

¹⁷ See [Agenda Item 5](#) of the March 2026 IESBA meeting.

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D. Engagement-Level Quality Management

32. The project proposal included an action to consider whether new requirements or application material were necessary to address the relationship between ISRE 2410 and ISA 220 (Revised) in relation to quality management at the engagement level.
33. Extant ISRE 2410 has a single requirement for the auditor to implement quality control procedures applicable to the individual engagement.¹⁸ The IAASB considered introducing a single, high-level requirement to address quality management at the engagement level in ED-2410 (e.g., for the engagement partner to take overall responsibility for quality management at the engagement level), with a cross-reference in application material to the principles, concepts and requirements in ISA 220 (Revised). However, the IAASB noted that it was in the public interest for ED-2410 to include appropriate granularity in engagement-level quality management requirements to drive consistent performance of high-quality interim review engagements, especially considering that such engagements are ordinarily performed for publicly traded entities.
34. Accordingly, paragraph 23 of ED-2410 establishes requirements for the engagement partner to take overall responsibility for managing and achieving quality on the engagement, including being sufficiently and appropriately involved throughout the engagement, as well as taking responsibility for the engagement being performed in accordance with the firm's quality management policies or procedures. These requirements are patterned on the conforming amendments made to ISRE 2400 (Revised) as a result of the quality management standards.

E. Acceptance and Continuance of the Interim Review Engagement

35. Extant ISRE 2410 has only a single requirement related to acceptance or continuance: for the auditor and the client to agree on the terms of the engagement.¹⁹ The project proposal included an action to explore clarifications or enhancements to requirements or application material regarding this topic.
36. The IAASB considered that, in practice, a firm's policies or procedures for the acceptance and continuance of audit client relationships and audit engagements may also address interim review engagements for the entity. In addition, the terms of the audit engagement and interim review engagements may be addressed together in a single engagement letter (see paragraph A54 of ED-2410). However, the IAASB acknowledged that, in some jurisdictions, it may be necessary to treat the audit and interim review engagements separately (e.g., to meet requirements of different laws or regulations). ED-2410 therefore includes specific requirements relating to acceptance and continuance related to the interim review engagement (paragraphs 25 to 37), including preconditions for accepting the engagement that are consistent with the preconditions in ISA 210, modified as appropriate to reflect the circumstances of an interim review engagement.

F. Planning and Performing the Engagement

Group Interim Review Engagements

37. Entities that are required under law or regulation to prepare interim financial information are often groups that prepare consolidated financial information for interim periods. Extant ISRE 2410 has

¹⁸ ISRE 2410, paragraph 5

¹⁹ ISRE 2410, paragraph 10

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limited references and includes no requirements specifically related to groups.²⁰ The project proposal includes an action to explore possible requirements or application material for group interim review engagements, as the IAASB concluded that it is in the public interest to do so.

38. The IAASB determined that the concepts and principles in ED-2410 would apply equally to group interim review engagements performed by the auditor of the group's annual financial statements. The IAASB also acknowledged that adding certain requirements to recognize the special circumstances for group engagements would help to drive more consistent performance, similar to the approach taken in ISSA 5000.²¹ The IAASB also noted that certain jurisdictional interim review standards have included additional application material related to groups.
39. As a result, ED-2410 includes requirements and application material related to the following aspects of group interim review engagements:
- (a) For the engagement partner to take responsibility for determining whether sufficient and appropriate resources are assigned or made available in a timely manner, including component auditors (see paragraph 24(c)(ii))
 - (b) For the group auditor to determine the nature, timing and extent of the involvement of component auditors (see paragraph 39);
 - (c) If component auditors are involved, for the group auditor to communicate with the component auditors about the work to be performed, and to establish expected communications about the results of that work (see paragraph 40);
 - (d) For the auditor to agree group interim financial information to the underlying consolidation schedules (see paragraph 69); and
 - (e) For the group engagement partner to take responsibility for confirming that component auditors have complied with relevant ethical requirements, including those related to independence (paragraph 94(a)).
40. Rather than including definitions for a number of terms related to group interim review engagements, the IAASB opted for the approach in paragraph 14 of ED-2410, which explains that terms used in ED-2410 related to groups, that are defined in the Handbook's Glossary of Terms²² in the context of group audit engagements, are intended to be read and applied in the context of a group interim review engagement.

Materiality

41. Extant ISRE 2410 does not contain explicit requirements relating to materiality,²³ but includes guidance to *consider* materiality with reference to the applicable financial reporting framework as it relates to interim financial information. The project proposal includes an action to clarify or strengthen, as appropriate, requirements and application material relating to materiality that may support the auditor's determination of materiality in the specific circumstances of interim review engagements.

²⁰ See paragraphs 16 and 21 of extant ISRE 2410.

²¹ ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

²² The Glossary of Terms relating to International Standards issued by the IAASB in the Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements (the Glossary).

²³ Extant ISRE 2410, paragraph 15 (bullet point four)

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This action reflected input from stakeholders that highlighted practical challenges with consistently interpreting how principles and concepts in ISA 320 and ISA 450²⁴ applied to interim review engagements, including questions about the implications of designating a different quantitative materiality for an interim review engagement than for the annual audit.

42. To address this issue, the IAASB considered how requirements in jurisdictional equivalent standards had been revised to address materiality in the context of an interim review engagement, and also considered the requirements related to materiality in ISRE 2400 (Revised). Recognizing that auditors in practice ordinarily determine materiality for purposes of designing and evaluating the results of review procedures, the IAASB determined that it was appropriate for ED-2410 to include a requirement to determine materiality for the interim financial information as a whole (see paragraph 41 of ED-2410). Application material was added that reflects the principles and concepts of materiality in ISA 320. Consistent with other IAASB standards, the application material does not provide detailed guidance for, or examples of, how materiality may be determined for an interim review engagement. Instead, the application material highlights that materiality is to be determined by reference to the interim financial information (as distinct from annual financial information) and describes the importance of considering qualitative and quantitative factors, and focusing on users' needs from the interim financial information.
43. These paragraphs therefore intend to provide auditors with a consistent frame of reference through which to make decisions about materiality for an interim review engagement. They also provide essential context for evaluating the results of procedures performed, including if the auditor becomes aware of a matter that causes the auditor to believe the interim financial information may be materially misstated, and for evaluating whether identified misstatements are material.

The Basis for the Auditor's Interim Review Procedures

44. The requirements in paragraphs 43 and 44 of ED-2410 set up a clear framework for determining the work effort that is necessary to achieve the objectives of an interim review engagement, recognizing that it is a limited assurance engagement. These requirements operate together so that auditors focus their work effort on the areas of the interim financial information where material misstatements are likely to arise. When establishing these requirements, the IAASB also took into account that the auditor already possesses a level of knowledge about the entity and its environment, and its system of internal control, as explained in paragraph 10 above.
45. This work effort is reflected in the procedures that the auditor designs and performs, which are primarily inquiries and analytical procedures. They may also include other procedures (e.g., reading a document, observing a process, recalculating the mathematical accuracy of a schedule that reconciles accounting records with the interim financial information) when, in the auditor's professional judgment, such procedures are necessary for the purpose of obtaining evidence that is sufficient and appropriate as a basis for forming a limited assurance conclusion. See paragraphs A82-A83 of ED-2410 for a further explanation of circumstances in which the auditor may decide to design and perform other procedures.
46. The requirement in paragraph 43 of ED-2410 moves away from the phrase 'types of potential material misstatement' in paragraph 12(a) of extant ISRE 2410 and instead aligns the wording with that in

²⁴ ISA 450, *Evaluation of Misstatements Identified during the Audit*

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ISRE 2400 (Revised)²⁵ and the International Framework for Assurance Engagements. The IAASB considered whether to define or describe the term 'areas' and concluded it was not necessary to do so, because the term is intended to have a plain English meaning.

47. By using this language, the IAASB intended to:
- (a) Support that the auditor is required to identify, and focus their attention and work on, *areas* in the interim financial information *where* material misstatements are likely to arise, and
 - (b) Reflect that 'areas' may have a wider meaning than 'classes of transactions, account balances and disclosures' in an audit engagement under the ISAs. For example, depending on the nature of the interim financial information, areas may be individual line items in the interim financial information together with the disclosures related to the items, or groups of such items, or may refer to individual classes of transactions, account balances, or disclosures.

First-Time Interim Review Engagements

48. The project proposal included an action to clarify how the auditor may be expected to perform an interim review engagement in accordance with ED-2410 when the auditor is newly appointed, and has not yet performed an audit of the entity's annual financial statements. The IAASB affirmed that the underlying principles of ED-2410 apply irrespective of whether the auditor has previously audited the entity's annual financial statements or is newly appointed and the interim review is the auditor's first assurance engagement for the entity. Accordingly, the Board determined that any special considerations relevant to first-time interim review engagements would be introduced through explanations in targeted application material, rather than through additional requirements that would be specific to those circumstances.
49. Application material in paragraphs A77 to A79 of ED-2410 establishes that the requirement of paragraph 43 applies in first-time interim review engagements, and includes understanding the preparation of both annual and interim financial information; and that the nature, timing and extent of procedures to obtain such an understanding is a matter of professional judgment. This recognizes that in order to obtain an understanding of the entity that enables the auditor to identify areas of the interim financial information where material misstatements are likely to arise, an auditor may determine that it is not necessary to perform the same procedures that an auditor would perform in an audit in accordance with the ISAs. In this regard, paragraph A72 of ED-2410 explicitly notes that the auditor is not required to identify and assess the risks of material misstatement as they would when performing an audit engagement in accordance with the ISAs. However, paragraph A92 also recognizes that in some cases, the auditor may determine that it is appropriate or necessary to perform certain procedures that are required to be performed the purpose of the audit, at the same time as procedures specifically required for the interim review engagement.

Designing and Performing Inquiries, Analytical and Other Review Procedures

50. In addition to the core requirement in paragraph 44 to design and perform inquiries, analytical and other review procedures that focus on addressing areas where the auditor has identified that a material misstatement is likely to arise, ED-2410 includes requirements in paragraphs 45 to 70 for the auditor to perform specific inquiries, or carry out other actions, in order to achieve the engagement objective. For example:

²⁵ ISRE 2400 (Revised), paragraph 45

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- (a) Paragraph 45 includes certain inquiries that are based on those in paragraph 21 of extant ISRE 2410, and on other inquiries identified in jurisdictional interim review standards. The IAASB was of the view that such inquiries are consistent with those performed in practice today and it is in the public interest to include them as required inquiries.
 - (b) Paragraph 46 reflects that analytical procedures are a core part of an interim review engagement and therefore it is appropriate for ED-2410 to include a requirement for auditors to consider the adequacy of information used in performing analytical procedures. The additional material related to analytical procedures that was included in Appendix 2 of extant ISRE 2410 has been substantially retained as application material in ED-2410 (see paragraphs A87 to A89) to support consistent practice.
 - (c) Paragraphs 49 to 69 include requirements for the auditor to perform certain procedures in specific circumstances or related to specific matters, based on input from stakeholders and to address actions in the project proposal that are responsive to the public interest.
51. Additionally, in paragraph 70, the IAASB has retained the “deep-dive” principle reflected in paragraph 29 of extant ISRE 2410, redrafted to align with wording used in other IAASB standards. This paragraph requires the auditor to perform additional procedures when a matter comes to the auditor’s attention that causes them to believe that there may be a material misstatement of the interim financial information. These procedures are referred to as *additional* procedures to recognize that *they add to* the procedures otherwise required by ED-2410. They are not inherently a *category* of procedures. These are procedures that are only performed if something comes to the auditor’s attention while performing the engagement that causes the auditor to believe that there may be a material misstatement. If no such matters come to the auditor’s attention, then nothing further needs to be done.
52. When additional procedures are performed in accordance with paragraph 70, the auditor is required to obtain further evidence until the auditor is able to conclude that the matter(s) is not likely to cause the interim financial information as a whole to be materially misstated (i.e., an unmodified assurance conclusion is appropriate), or determine that the matter(s) causes the interim financial information as a whole to be materially misstated (i.e., a qualified or adverse conclusion is needed). The requirement also provides auditors with criteria that may be useful when applying the later requirement in paragraph 89 of ED-2410 to evaluate the sufficiency and appropriateness of evidence obtained.

Specific Topics in the Public Interest: Non-Compliance with Laws and Regulations (NOCLAR), Fraud and Going Concern

53. In revising ED-2410, the IAASB has enhanced the auditor’s work effort related to matters of substantial importance in the public interest: fraud and non-compliance with laws and regulations that affect the interim financial information; and going concern.

Fraud and Non-Compliance with Laws and Regulations

54. Extant ISRE 2410 includes requirements for the auditor to perform inquiries relating to fraud and NOCLAR, with no requirements that apply in the event that fraud or suspected fraud, or identified or suspected NOCLAR, comes to the auditor’s attention in an interim review engagement.

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55. The IAASB determined that the public interest rationale for revisions reflected in ISA 240 (Revised)²⁶ and ISA 250 (Revised)²⁷ should be considered with an 'interim review engagement lens' in developing ED-2410. In particular, because ED-2410 is applied by the auditor of the entity's annual financial statements, the IAASB considered intended users' expectations about the auditor's response if a fraud or suspected fraud, or NOCLAR or suspected NOCLAR, came to the auditor's attention while performing an interim review engagement.
56. The IAASB is of the view that the requirements for fraud and NOCLAR in paragraphs 52-57 of ED-2410 are consistent with the principles of ISA 240 (Revised) and ISA 250 (Revised). The requirements establish a proportionate work effort consistent with the overall objective of an interim review engagement (i.e., a limited assurance engagement), yet support a more robust work effort related to fraud and NOCLAR than in the extant standard. Additionally, the application material in paragraph A99 establishes a link between the requirements in paragraphs 54-55, and the requirement of paragraph 70, which applies when a matter comes to the auditor's attention that causes the auditor to believe that there may be a material misstatement of the interim financial information.

Going Concern

57. Extant ISRE 2410, paragraph 27, requires the auditor to inquire about whether management has changed its assessment of the entity's ability to continue as a going concern. If, as a result of this inquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor is required to inquire about management's plans and to consider the adequacy of any disclosures about such matters in the interim financial information.
58. Given the fundamental nature of the going concern assumption to the preparation of financial information, both annual and interim, the IAASB recognized that the auditor's work effort relating to going concern is a matter of public interest in the context of any assurance engagement on general purpose historical financial information. Therefore, stakeholders' heightened expectations about the auditor's work effort and communications in this area, which were a driver for the IAASB's revisions in ISA 570 (Revised 2024), are also relevant to interim review engagements. Accordingly, the project proposal includes an action to explore enhancements to clarify the auditor's responsibilities relating to management's assessment of an entity's ability to continue as a going concern in an interim review engagement, and to communicate going concern-related matters in the auditor's interim review report.
59. ED-2410 includes such enhancements, with a focus on maintaining proportionality in the circumstances of an interim review engagement. In this context, while ED-2410 reflects the principles of ISA 570 (Revised 2024), the required work effort in ED-2410 (paragraphs 58 to 65) is not intended to enable the auditor to conclude with a reasonable level of assurance that management's use of the going concern assumption is appropriate, or that required disclosures about going concern are adequate. Rather, in the context of obtaining sufficient appropriate evidence as a basis for a limited assurance conclusion on the interim financial information, the intended *outcome* of the auditor's work effort relating to going concern, is for the auditor to be able to:

²⁶ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraphs 55-57

²⁷ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, paragraphs 19-22

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- (a) Determine whether anything has come to the auditor's attention that affects the auditor's judgments about the appropriateness of management's use of the going concern basis of preparation, or about whether a material uncertainty exists; and
- (b) Consider the adequacy of the disclosures in the interim financial information, in accordance with the requirements of the applicable financial reporting framework.

The evidence obtained for these judgments then provides a basis for the proposed statements to be made related to going concern in the interim review report (see **Section I-H** below).

60. The IAASB determined that the requirements in paragraphs 58-65 of ED-2410 establish a level of work that is necessary to have an appropriate basis for determining whether anything has come to the auditor's attention that causes the auditor to believe that a material misstatement related to going concern may exist. If something does come to the auditor's attention, paragraph 70 requires further work to be performed until the auditor is able to either conclude that it is unlikely that a material misstatement exists, or to determine that there is a material misstatement (see also paragraphs 51-52 above).
61. Certain requirements represent an enhancement from the baseline requirement of extant ISRE 2410, and a closer alignment with the principles of ISA 570 (Revised 2024):
- (a) The requirements in paragraphs 58-61 are aimed at anchoring the auditor's inquiries on management's assessment of the entity's ability to continue as a going concern, with an assessment period covering at least twelve months from the date of approval of the interim financial information. It is not intended that an auditor seek to obtain an assessment that is performed to the same level of detail as that performed for the annual reporting period, nor that it be documented in the same way. However, it is intended to support users' expectations that, if the going concern assumption presumes continued operations for the 'foreseeable future,' this horizon does not change solely because the reporting period changes.
 - (b) Paragraph 63(c) recognizes that, in certain circumstances, the auditor may consider it necessary to perform other procedures (that is, procedures other than the specific inquiries required by ED-2410) in order to obtain evidence to support the auditor's conclusions related to going concern. For example, if the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor may consider it appropriate to read a document that provides evidence regarding management's plans to address these events or conditions.
 - (c) Paragraph 65 includes an explicit requirement for the auditor to evaluate the adequacy of disclosures related to going concern. The placement of this requirement is based on a logical workflow: the auditor's evaluation in paragraph 64 about the appropriateness of management's use of the going concern basis of accounting, and whether a material uncertainty exists, is necessary to appropriately evaluate the adequacy of disclosures.

G. Forming a Conclusion on the Interim Financial Information

62. As well as addressing the form and content of the auditor's audit report, ISA 700 (Revised) includes a section on forming an opinion on the financial statements, which includes requirements to evaluate whether the evidence obtained from procedures performed is sufficient and appropriate and supports

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the auditor's opinion. ISA 705 (Revised)²⁸ includes requirements related to the form and content of the auditor's report when the opinion is modified. Because extant ISRE 2410 has not been updated since 2005, it does not have such sections.

63. Recognizing the need to address the clarity of reporting for users of interim financial information, the IAASB determined that it was appropriate for ED-2410 to include separate sections addressing (a) the need for the auditor to *form* a conclusion on the interim financial information, and (b) the *form and structure of the conclusion*. The section on Forming a Conclusion on the Interim Financial Information (paragraphs 89-94 of ED-2410) therefore includes requirements for the auditor to evaluate whether sufficient appropriate evidence has been obtained from procedures performed and to form a conclusion, based on that evidence, about whether the interim financial information is free from material misstatement. The section on the form of conclusion (paragraphs 97-107 of ED-2410) follows the structure of the similar section in ISRE 2400 (Revised), paragraphs 72-85, but is included in the Preparing the Auditor's Interim Review Report section, which reflects the same approach as was adopted in the recently completed ISSA 5000. See also paragraphs 69-73 below regarding the form of the auditor's interim review conclusion.
64. The stand-back in paragraph 89 of ED-2410 requires the auditor to consider all evidence obtained when making this evaluation, to emphasize the need for professional skepticism in forming a conclusion. If the auditor's evaluation is that the evidence obtained from the procedures performed is not sufficient and appropriate to enable the auditor to form a limited assurance conclusion, paragraph 90 requires the auditor to attempt to obtain further evidence. If the auditor is unable to obtain sufficient appropriate evidence after attempting to obtain further evidence, the auditor is required by paragraph 103 to express either a qualified conclusion or disclaim a conclusion on the interim financial information.

H. The Auditor's Report on the Interim Review Engagement

65. A driver for developing ED-2410 was the need for more clarity, in particular for intended users of interim financial information and auditor's interim review reports, about the:
- (a) Purpose of an interim review engagement;
 - (b) Difference between the level of assurance that is obtained in an interim review engagement (limited assurance), and that obtained in an audit of annual financial statements (reasonable assurance); and
 - (c) Nature and extent of procedures performed in an interim review engagement compared to an audit of annual financial statements.
66. In its [Auditor Reporting Standards](#) project, the IAASB recognized the communicative value of the auditor's report as the primary deliverable of the audit engagement, to address a lack of clarity among users of financial statements about the purpose, scope and outcome of the audit. The communicative value of the practitioner's reporting is important across assurance engagements, given the common aim of all assurance engagements (audits, reviews and other assurance engagements) for the practitioner to express an opinion or conclusion to enhance the degree of confidence of intended users about the subject matter information. In considering recommendations arising from the [post-implementation review of the Auditor Reporting standards](#) (completed in September 2021), the IAASB

²⁸ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

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recognized that the form, structure and presentation of assurance and audit reports are intentionally different, as this enables users to clearly distinguish their different purpose and scope. However, the IAASB supported exploring stakeholder demand for aligning the form, structure and presentation of assurance reports other than audit reports, with the form, structure and presentation of audit reports, when the applicable assurance standards were next proposed for revision. ED-2410 includes proposals for revisions in the structure, form and content of the auditor's interim review report, and seeks input from stakeholders on this matter.

Key decisions

67. In developing ED-2410, the IAASB:
- (a) Considered the clarity of wording in, and the placement of, the auditor's limited assurance conclusion within the interim review report;
 - (b) Determined that it was necessary to include an explicit statement relating to compliance with relevant ethical requirements, including those related to independence, modelled on the language in ISA 700 (Revised);²⁹
 - (c) Determined that it was necessary and appropriate to introduce additional statements, echoing the revisions made to ISA 570 (Revised 2024), that would communicate the auditor's views, based on the evidence obtained from the procedures performed, relating to management's use of the going concern basis of accounting, and about whether a material uncertainty related to going concern exists; and
 - (d) Agreed not to introduce a section conceptually analogous to the "key audit matters" addressed in ISA 701, in recognition of the circumstances of interim review engagements, and to avoid inadvertently creating a perception that a greater level of assurance than is appropriate has been obtained.
68. Paragraph 95 of ED-2410 sets out the requirements for the elements of the auditor's interim review report. The auditor's interim review Conclusion section is required to be presented first, to give it greater prominence, and is followed by the Basis for Conclusion section, consistent with ISA 700 (Revised).

Form of the Auditor's Interim Review Conclusion

69. ED-2410 also revises the requirements related to the wording of the auditor's conclusion (see paragraph 98 of ED-2410). Under extant ISRE 2410, the wording of the conclusion differs, depending on whether the interim financial information comprises a complete set of general-purpose financial statements prepared in accordance with a financial reporting framework designed to achieve fair presentation, or not.³⁰
70. The IAASB determined that the auditor's conclusion on an interim review engagement should:
- (a) Be expressed in the negative form ("Nothing has come to our attention that causes us to believe that the interim financial information..."); and

²⁹ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 28(c).

³⁰ Extant ISRE 2410, paragraphs 43(i) and 43(j). See also the proposed definition of 'applicable financial reporting framework' in paragraph 13(b) of ED-2410, which is unchanged.

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- (b) Differ depending on whether the applicable financial reporting framework is a fair presentation framework or a compliance framework, as described in the definition in paragraph 13(b) of ED-2410.

Framework Neutrality in the IAASB's Standards

71. In considering changes to the requirements related to the form of the auditor's interim review conclusion, the IAASB reaffirmed that it is not within its remit to interpret financial reporting standards, and that the IAASB's standards should remain framework-neutral.
72. However, the IAASB also recognized that IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and in particular, International Accounting Standard (IAS) 34, *Interim Financial Reporting*, are widely used in the preparation of interim financial reports.³¹ The IAASB acknowledged the diversity of views between and within jurisdictions about whether condensed interim financial reports prepared in accordance with IAS 34 are designed to achieve, or may achieve, fair presentation, and if so, of what. These differences are apparent in how different preparers in different jurisdictions, or even within a jurisdiction, describe the reporting framework used in preparing their interim financial reports; and in how different regulations that apply to the preparation of interim financial reports describe the frameworks.³²
73. Because of this, the IAASB acknowledged the risk that assurance conclusions issued in respect of interim financial reports prepared under the same reporting framework may differ between jurisdictions. Noting that consistency of reporting globally is an important feature of the objective of revising ISRE 2410, **Question 15 in Section II** below asks for respondents' views on this matter.

Addressing Going Concern the Auditor's Interim Review Report

74. ISA 570 (Revised 2024) introduced requirements for the auditor to include explicit statements in the auditor's report on the entity's annual financial statements about whether:
- (a) Management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- (b) A material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

It also introduced a requirement to state that such conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

75. ED-2410 introduces equivalent requirements to make explicit statements related to going concern in the auditor's interim review report that are deemed appropriate for, and proportionate to the work

³¹ IAS 34 permits an entity to publish either a complete or condensed set of interim financial statements, and prescribes the minimum content of an interim financial report and the principles for recognition and measurement in complete or condensed financial statements for an interim period. See the objective and paragraph 7 of IAS 34.

³² For example, the UK's Disclosure and Transparency Rule applicable to Listed Entities requires a statement be made by those responsible for the half-yearly financial report, that confirms that, to the best of their knowledge, "the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer" and specifies that they may "satisfy the requirement to confirm that the condensed set of financial statements give a true and fair view by giving a statement that they have been prepared in accordance with IAS 34."

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effort and circumstances of, interim review engagements. In determining that it was appropriate to do so, the IAASB acknowledged the risk that having such statements in an interim review report may unintentionally suggest a greater work effort having been performed on going concern than is necessary to achieve the auditor's objectives in an interim review engagement, which may increase the expectations gap by adding to the challenges for users to understand the nature and scope of an interim review engagement.

76. However, the IAASB determined that the need for transparency that drove the IAASB's decisions in approving ISA 570 (Revised 2024) was equally relevant for interim review engagements. Because interim financial information is intended to provide an update on the latest complete set of annual financial statements, the IAASB acknowledged that failing to provide an update about such matters at the interim date would be unlikely to satisfy the information needs of intended users of the interim financial information and the auditor's interim review report thereon.
77. Accordingly, the IAASB determined that it was appropriate to introduce requirements for clear statements to be made about going concern. Informed by revisions in jurisdictional standards related to interim review engagements,³³ and the circumstances addressed in ISA 570 (Revised 2024), ED-2410 requires the auditor to include explicit statements about whether:
- (a) In the context of the auditor's review of the interim financial information as a whole, and in forming the auditor's review conclusion thereon, anything has come to the auditor's attention that causes them to believe that management's use of the going concern basis of accounting in the preparation of the interim financial information is not appropriate; and
 - (b) Whether anything has come to the auditor's attention that indicates that a material uncertainty exists.

ED-2410 also requires a statement that indicates that those statements are not a guarantee as to the entity's ability to continue as a going concern.

78. The IAASB acknowledged the variety of scenarios related to going concern that may arise in an interim review engagement, and considered which of those needed to be supported by explicit requirements. **Table 1** below includes a summary of the most common scenarios expected to be encountered in performing interim review engagements, and the relevant reporting requirements in ED-2410.
79. The IAASB determined that it was not necessary for ED-2410 to include requirements that specifically address the following two scenarios, because they were not considered to be common occurrences, and the relevant principles are addressed by other requirements:
- (a) The going concern basis of accounting is not appropriate in the circumstances (e.g., because the entity intends to cease trading) but the interim financial information is prepared on a suitable alternative basis, and this is adequately disclosed. In this circumstance, paragraph 117 is likely to apply.
 - (b) The events and conditions that had previously given rise to a material uncertainty related to going concern, or to a previously disclosed "close call" related to going concern, have resolved in the interim period. However, if adequate disclosures about the circumstances are included in the interim financial information, paragraph 111 addresses this scenario.

³³ Refer, for example, to the United Kingdom's ISRE (UK) 2410, paragraph 54-1 and revisions to the illustrative reports.

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Table 1: Scenarios addressed in ED-2410

SCENARIOS ADDRESSED			Applicable Requirements in ED-2410
Based on evidence obtained from audit procedures performed for the previous annual audit ...	Based on evidence obtained from review procedures performed for the interim review engagement ...		
	Events or Conditions? ³⁴	MUGC? ³⁵	
<p>“Baseline”</p> <p>Either:</p> <p>No events or conditions identified (and therefore no MUGC exists)</p> <p>or</p> <p>Events and conditions were identified, but no MUGC exists.</p>	No	No	Paragraph 108
	Yes	Yes	Paragraph 110
		No	Paragraph 108 or Paragraph 111 (depending on the circumstances)
<p>“Close Call”</p> <p>Events or conditions identified; but no MUGC exists, and</p> <p>Significant judgments were made in concluding that no MUGC exists, and they are adequately disclosed.</p>	Yes	Yes	Paragraph 110
		No	Paragraph 108 or Paragraph 111 (depending on the circumstances)
	No	No	Paragraph 108
<p>“MUGC”</p> <p>Events or conditions identified.</p> <p>MUGC exists and is adequately disclosed.³⁶</p>	Yes	Yes	Paragraph 109
		No	Paragraph 108 or Paragraph 111 (depending on the circumstances)
	No	No	Paragraph 108

³⁴ “Events or conditions” is used as shorthand for “events or conditions that were identified that *may* cast significant doubt about the entity’s ability to continue as a going concern

³⁵ MUGC is used as shorthand for “a material uncertainty about the entity’s ability to continue as a going concern.”

³⁶ If the MUGC is not adequately disclosed, paragraph 112 applies.

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Other Elements of the Interim Review Report

80. Paragraph 95(f) introduces a requirement for the interim review report to include a section stating management's responsibilities, which is intended to provide a clearer distinction between the responsibilities of management and the responsibilities of the auditor in an interim review engagement.
81. Additionally, ED-2410 introduces a conditional requirement (paragraph 96) for the interim review report to include the name of the engagement partner when the interim review engagements is for a publicly traded entity. This was deemed to be an important disclosure, as users may have an interest in understanding whether the engagement partner for the interim review engagement was the same as for the audit of the annual financial statements.

I. Other Matters

Communications with Management and Those Charged with Governance

82. The IAASB considered different approaches to the requirements for communications with management and those charged with governance. On balance, the IAASB determined that it was appropriate to retain an overarching requirement similar to paragraph 42 of extant ISRE 2410, but positioned earlier in the standard to emphasize the importance of timely communication of relevant matters throughout the engagement. Therefore, paragraph 38 of ED-2410 requires the auditor to communicate on a timely basis, matters that, in the auditor's professional judgment, merit the attention of management or those charged with governance, as appropriate. In making this determination, the IAASB took into account that the matters to be communicated in accordance with ED-2410 would likely be informed by the auditor's communications in the audit of financial statements. ED-2410 includes application material (see paragraph A62) with examples of matters that may be significant to the responsibilities of those charged with governance.

Other Information

83. Paragraphs 36-37 of extant ISRE 2410 address the auditor's responsibility for 'accompanying information,' which, in principle, is the same as 'other information' in the current IAASB standards. The project proposal included an action to explore enhancements to clarify the auditor's responsibility and work related to other information issued by the entity in an interim review engagement.
84. The IAASB determined that it was appropriate to modernize and clarify the terms, while retaining simple, principles-based requirements related to other information in the context of an interim review engagement. Accordingly, ED-2410 includes a definition of "other information" (paragraph 13(g)), and also includes work effort requirements in paragraphs 86 to 88 based on the underlying principles of ISA 720 (Revised),³⁷ which are that:
 - (a) Reading the other information may bring to the auditor's attention a material inconsistency between the other information and the interim financial information. If so, this may undermine the credibility of the interim financial information and the auditor's conclusion thereon and, therefore, the auditor undertakes further work to determine whether a material misstatement of the interim financial information or of the other information may exist; and

³⁷ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

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- (b) Although other information is not subject to the interim review engagement, relevant ethical requirements ordinarily require that the auditor is not to be associated with misleading information. If there was a material misstatement of the other information in a document containing the interim financial information and the auditor's interim review report thereon, the auditor would be associated with such information.

Effective Date

85. The IAASB anticipates that a final pronouncement will be approved in **June 2027**, and that it is appropriate for the standard to be effective for reviews of interim financial information for periods beginning at least 18 months after the approval of the final pronouncement. This convention of linking the effective date to the start of a reporting period to which an engagement would relate is appropriate because ED-2410 address all stages of an interim review engagement.
86. The IAASB believes that such a time frame appropriately takes into account:
- The effective date of ISA 570 (Revised 2024) and ISA 240 (Revised), given the revisions in ED-2410 related to those topics;
 - The time needed for translation and adoption processes within jurisdictions, and for revisions to firm methodologies, engagement enablement tools and training materials.

Section II - Questions for Respondents

1. Respondents are asked to respond to the questions below using the **Response Form** as explained in the **Request for Comments** section of this EM, focusing on the clarity, understandability, and implementability of the requirements and application material of ED-2410.

Questions for Respondents	Related Section or Paragraphs in this EM
<i>Overall Impact</i>	
1. Do you agree that ED-2410 is responsive to the public interest , considering the qualitative standard-setting characteristics and the standard-setting actions in the project proposal?	Section I-A and the Appendix
2. Do you agree that ED-2410 strikes an appropriate balance between the work effort required to express a limited assurance conclusion on the interim review engagement, and more robust requirements in the public interest in certain areas (e.g., going concern, fraud and non-compliance with laws and regulations)? You are invited to include as part of your response insights on the implications or effects of implementing the proposed standard.	<i>Overall perspective</i>

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Questions for Respondents	Related Section or Paragraphs in this EM
<i>Professional Skepticism and Professional Judgment</i>	
<p>3. Does ED-2410 appropriately address the foundational concepts of professional skepticism and professional judgment, and the importance of applying these concepts throughout the interim review engagement? If not, what more might be needed in this regard?</p>	<p><i>Overall perspective</i> Section I-B, paragraph 22(a)</p>
<p><i>Fundamental Principles of an Interim Review Engagement</i></p> <p>4. Does the Introduction section of ED-2410 provide a clear description of the nature and purpose of an interim review engagement, and how it differs from an audit of financial statements, to provide foundational context for the work effort needed to achieve the objective of the engagement?</p> <p>5. Is ED-2410 sufficiently clear that while the auditor performs primarily inquiries and analytical procedures, <i>all procedures</i> performed for the purpose of achieving the overall objective of the interim review engagement are “review procedures”? If not, what suggestions do you have to make this clearer?</p>	<p>Section I-B Section I-F, paragraphs 44-47</p>
<p><i>Approaching an Interim Review Engagement in Accordance with ED-2410</i></p> <p>6. Is it sufficiently clear that, for recurring engagements, the auditor leverages the knowledge and understanding obtained from previous annual audits and interim review engagements for the entity? If not, what suggestions do you have for making this clearer?</p> <p>7. Do you agree with the considerations that apply when the review of interim financial information is the first engagement performed for the audit client? If not, what suggestions do you have for additional considerations related to first-time interim review engagements?</p>	<p>Section I-B Section I-F, paragraphs 44-52</p>
<p><i>Materiality</i></p> <p>8. Do you agree with the requirement for the auditor to determine materiality for the interim review engagement, and the related application material that describes the relevant principles that apply? If not, what would you suggest?</p>	<p>Section I-F, paragraphs 41-43</p>

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Questions for Respondents	Related Section or Paragraphs in this EM
<p><i>Group Interim Review Engagements</i></p> <p>9. Overall, do you agree that ED-2410 is capable of being applied for the review of interim financial information of groups?</p> <p>10. Are the requirements in ED-2410 that address specific considerations related to group interim review engagements appropriate?</p> <p>If not, for each of these questions, please explain your reasons, and provide suggestions for additional requirements or application material that might be needed.</p>	<p>Section I-F, paragraphs 37-40</p>
<p><i>Fraud and Non-Compliance with Laws and Regulations (NOCLAR)</i></p> <p>11. Do you agree that the work effort requirements related to fraud and NOCLAR are appropriate and proportionate to the circumstances of an interim review engagement, recognizing that the engagement is performed by the auditor of the entity's annual financial statements and has responsibilities related to fraud and NOCLAR in the context of that engagement?</p> <p>If not, please explain your reasons, provide suggestions for the auditor's approach to fraud and NOCLAR in an interim review engagement.</p>	<p>Section I-F, paragraphs 54-56</p>
<p><i>Going Concern</i></p> <p><i>The questions below address both the auditor's work effort related to going concern in an interim review engagement and transparency about going concern in the interim review report.</i></p> <p>12. Do you agree that the work effort requirements related to going concern are appropriate and proportionate to the circumstances of an interim review engagement, recognizing that the engagement is performed by the auditor of the entity's annual financial statements and has responsibilities related to going concern in the context of that engagement? If not, please explain your reasons and provide suggestions for how ED-2410 should address the auditor's responsibilities related to going concern in an interim review engagement.</p> <p>13. Do you agree with the proposals to introduce a new separate section relating to going concern in the auditor's interim review report? If not, please explain your reasons and provide suggestions for how ED-2410 should address transparency about going concern in the interim review report.</p> <p>In particular:</p> <p>(a) Do you agree with the proposed required statements, appropriately worded for a limited assurance engagement, relating to the going</p>	<p>Section I-F, paragraphs 57-61</p> <p>Section I-H, paragraphs 74-79</p>

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Questions for Respondents	Related Section or Paragraphs in this EM
<p>concern basis of accounting and whether a material uncertainty exists? If not, please explain your reasons and provide suggestions for how such statements should be worded in the interim review report.</p> <p>(b) Do you agree that the circumstances addressed in the requirements in paragraphs 108-111 of ED-2410 capture the most frequently encountered scenarios in practice? If not, please explain your reasons and provide suggestions for any other scenarios that should be addressed in ED-2410.</p> <p>(c) Do you agree with the requirement in paragraph 111 of ED-2410 to include a reference in the interim review report to disclosure(s) of a going concern matter, other than a material uncertainty (for example, a “close call”) only when the matter is, in the auditor’s professional judgment, of such importance that it is fundamental to users’ understanding of the interim financial information, and to do so in a manner akin to an emphasis of matter paragraph? If not, please explain your reasons and provide suggestions for how such matters should be addressed in ED-2410.</p>	
<p><i>The Auditor’s Interim Review Report</i></p> <p>General</p> <p>14. Do you agree with the proposed new structure of the auditor’s interim review report? In particular, consider whether the new structure may be clearer for intended users of the report since it is consistent with the structure of the auditor’s report on the financial statements.</p> <p>If not, please explain your reasons, including any suggestions for how the interim review report can be made clearer for intended users.</p>	<p>Section I-H, paragraphs 65-68</p>
<p>The Auditor’s Interim Review Conclusion</p> <p>15. Do you foresee any practical consequences from the approach in ED-2410 that the auditor’s interim review conclusion would differ, depending on whether the applicable financial reporting framework is a fair presentation framework or a compliance framework, as defined in paragraph 13(b) of ED-2410? Please be as specific as possible in describing any potential issues and suggestions for how the IAASB may address them.</p>	<p>Section I-H, paragraphs 69-73</p>
<p><i>Other Matters</i></p> <p>16. Are there any other matters you would like to raise in relation to ED-2410? If so, please clearly indicate the specific paragraph numbers of any requirements, application material, or Appendix, to which your comments</p>	

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Questions for Respondents	Related Section or Paragraphs in this EM
<p>relate. If you provide views on other matters, please use subheadings in your response to clearly identify and distinguish different matters.</p>	
<i>Translations</i>	
<p>17. Recognizing that many respondents may intend to translate the final standard for adoption in their own environments, have you identified any potential translation challenges or issues?</p> <p>If so, please describe the issue identified and clearly indicate the specific paragraph numbers of any requirements, application material, or specific illustrations or appendices to which your comments relate.</p>	
<i>Effective Date</i>	
<p>18. The IAASB believes that an appropriate implementation period would be approximately 18 months after the expected date of approval of the proposed revised standard. Do you agree that this will provide a sufficient period to support effective implementation of the proposed standard? If not, what do you propose and why?</p>	<p>Section I-I, paragraphs 85-86</p>

Questions to Inform the International Ethics Standards Board for Accountants (IESBA)

The IESBA is seeking views from respondents related to the application of the IESBA Code. Respondents for whom these questions are relevant are encouraged to provide answers to these questions to inform the IESBA's consideration of the need for any future actions.

<p>E.1. Recognizing that ED-2410 requires the auditor to comply with relevant ethical requirements, including those related to independence, when performing an interim review engagement:</p> <p>(a) Given the context set out in Section I-C, paragraph 28, in the EM and taking into account that Part 4A of the Code applies to both audit and review engagements unless otherwise stated, do you believe there is a need to clarify the application of Section 405 with respect to group review engagements, including group interim reviews?</p> <p>(b) Do you believe the application of the Code as described in Section I-C, paragraph 29, in the EM is clear when information concerning non-compliance or suspected non-compliance with laws and regulations comes to the auditor's attention when performing an interim review engagement?</p>	<p>Introduction, paragraphs 12-14</p> <p>Section I-C</p>
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<p>If you believe there is a need to clarify the application of the Code in either or both circumstances above, please explain why. Please also explain which clarifications would be useful and whether they should be made inside or outside the Code.</p>	
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Appendix - Mapping Proposed Actions to Relevant Paragraphs of ED-2410

The table in this appendix maps the key aspects of ED-2410 to the proposed standard-setting actions in the [project proposal](#) (see paragraph 13), to support the public interest.

1. The column “Key Revisions Proposed” describes the proposed standard-setting actions in ED-2410, which are designed to achieve the following qualitative standard-setting characteristics (identified as being of most relevance in the project proposal):
 - The **coherence** of the proposed revised standard with the overall body of standards issued by the IAASB, enhancing linkages between standards that address the same subject matter information (historical financial information) and level of assurance (limited assurance).
 - The **appropriateness of the scope** of the proposed revised standard, by taking into account that the engagement is performed by the auditor of the entity’s annual financial statements, and that certain matters in the ISAs may be relevant to an interim review engagement, notwithstanding the different purpose, scope and outcome of the review engagement on interim financial information. Therefore, the concept of **proportionality** is important to support achieving this characteristic.
 - The **comprehensiveness** of the standard, reducing variability in practice by limiting the extent to which there are exceptions to the principles set out in the standard.
 - The **implementability** and **ability to be consistently applied** and be **globally operable** across entities of all sizes and in all regions, taking into account the importance of the varying size and complexity of entities whose financial information necessitates a review engagement under the proposed revised standard, and the varying resources of firms that perform such engagements.
2. Because these characteristics apply to ED-2410 *as a whole*, rather than to any individual section or requirement(s), the characteristics have not been mapped individually to individual standard-setting actions or proposed revisions.
3. All paragraph references herein are to paragraphs in ED-2410 unless otherwise indicated.

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Proposed Actions in the Project Proposed	Key Revisions Proposed	
	Explanation	Relevant sections or paragraphs in ED-2410
Project Objective: Establish a global baseline for the consistent performance of interim review engagements.		
1.1 Redraft ISRE 2410 in the “Clarity format.”	ED-2410 has been drafted in the ‘Clarity format.’ The IAASB’s Clarity project was completed at the end of 2008). The Clarity project reviewed the drafting conventions of the ISAs to identify ways to improve the clarity, and therefore the consistent application, of International Standards issued by the IAASB.	Entirety of ED-2410
1.2. Revise ISRE 2410 as necessary so that principles and concepts: (a) Align with concepts and terms used in the International Framework for Assurance Engagements;¹ and (b) Draw on relevant concepts and principles of ISRE 2400 (Revised), and as appropriate, other IAASB standards.	The concepts and terms in ED-2410 are fully aligned with those in ISRE 2400 (Revised), which is the other IAASB standard addressing limited assurance engagements on historical financial information, and other IAASB assurance standards that address limited assurance engagements. In particular, the definition of limited assurance is now consistent with the description in the International Framework for Assurance Engagements.	<u>Introduction:</u> Paras. 5-9, 11 <u>Definitions:</u> Para. 13(f)

¹ For example, the International Framework for Assurance Engagements describes a limited assurance engagement as one in which the practitioner reduces engagement risk to a “level that is acceptable in the circumstances but where that risk is greater than for a reasonable assurance engagement.” In comparison, extant ISRE 2410 describes the aim of an interim review engagement as being to reduce to a “moderate level” the risk of expressing an inappropriate conclusion.

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Proposed Actions in the Project Proposed	Key Revisions Proposed	
	Explanation	Relevant sections or paragraphs in ED-2410
Project Objective: Establish a global baseline for the consistent performance of interim review engagements.		
1.3 Explore ways to clarify the relationship between interim review engagements under ISRE 2410 and other IAASB standards.	<ul style="list-style-type: none"> Described the different scope of engagements under ED-2410 and ISRE 2400 (Revised) Described the difference between an interim review engagement performed under ED-2410 and an audit of financial statements performed in accordance with the International Standards on Auditing (ISAs) As explained in paragraph 16 of the project proposal, some of the issues identified may be resolved through the development of non-authoritative guidance materials. This may include, for example, educational material to clarify the relationship between interim review engagements and other engagements performed in accordance with other IAASB standard. 	<u>Introduction:</u> Para. 3, 8-9 <u>Application material:</u> Para. A3-A4
2.1 Determine the extent to which recent enhancements to IAASB standards need to be addressed, in a proportionate manner, in proposed revised ISRE 2410, given the circumstances of an interim review engagement, and the requirements of the applicable financial reporting framework for interim financial information.	General approach: In evaluating the potential impact of revisions to other IAASB standards since the issuance of extant ISRE 2410, the IAASB considered the public interest drivers of those projects, and whether the public interest issues addressed in those projects were also relevant in the context of interim review engagements. If so, the IAASB considered how those public interest	See the paragraph references below for the various sub-actions of proposed action 2.1

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This may include considering whether new requirements or application material are necessary to address the following:	issues could be addressed in ED-2410, recognizing the need for proportionality given the circumstances of interim review engagements.	
(a) The relationship between ISRE 2410 and the quality management standards, including quality management at the engagement level.	<ul style="list-style-type: none"> • Introduced enhanced requirements for engagement-level quality management, including for the engagement partner to take overall responsibility for: <ul style="list-style-type: none"> ○ Managing and achieving quality on the engagement, including being sufficiently and appropriately involved throughout the engagement; ○ The direction and supervision of the members of the engagement team and the review of their work, and ○ In specific areas, the engagement being performed in accordance with the firm's quality management policies or procedures. • Also introduced a requirement for the engagement partner to consider the information from the firm's monitoring and remediation 	<u>Requirements:</u> Para. 23-24 <u>Application material:</u> Para. A28-A44

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	process and the effect of that information on the interim review engagement.	
(b)(i) The auditor's responsibilities relating to understanding the entity and its environment, the applicable financial reporting framework and the entity's system of internal control.	<ul style="list-style-type: none"> ED-2410 includes core principles that apply irrespective of whether the auditor has previously audited the entity's annual financial statements or is performing a first-time interim review engagement for the entity. The auditor is required to obtain an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control relevant to the preparation of both annual and interim financial information. Based on this understanding, the auditor identifies areas in the interim financial information where material misstatements, whether due to fraud or error, are likely to arise. Included application material to address considerations specific to first-time interim review engagements. 	<u>Requirements:</u> 43 <u>Application material:</u> Para. A72-A79
(b)(ii)The auditor's responsibilities relating to accounting estimates.	<ul style="list-style-type: none"> In connection with designing and performing review procedures, ED-2410 requires specific inquiries of management and others within the 	<u>Requirements:</u> Para. 44-45 (in particular, para. 45(d) and 45(e))

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	<p>entity, as appropriate, related to accounting estimates, including:</p> <ul style="list-style-type: none"> ○ For significant accounting estimates, inquiries about any changes in management's selection of methods, significant assumptions and data and, if applicable, the intent and ability to carry out specific courses of action, and ○ Whether significant, unusual or complex transactions, events or matters have affected or may affect the entity's interim financial information, including new or revised accounting estimates. <ul style="list-style-type: none"> ● In connection with forming a conclusion about whether the interim financial information is free from material misstatement, included requirements for the auditor to consider: <ul style="list-style-type: none"> ○ Qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments, and ○ Whether, in the context of the requirements of the applicable financial reporting framework and the results of 	<p>Para. 92(b) and (d)(iv)</p> <p><u>Application material:</u></p> <p>Para. A93-A97, A139</p>

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	procedures performed, the accounting estimates and related disclosures made by management appear reasonable.	
(b)(iii)The auditor's responsibilities relating to going concern,² including related to management's assessment of going concern in the interim financial information.	<ul style="list-style-type: none"> Replaced the single requirement in paragraph 27 of extant ISRE 2410 with more robust requirements, consistent with the concepts and principles in ISA 570 (Revised 2024),³ but proportionate to the circumstances of an interim review engagement. These requirements recognize that going concern is fundamental to the preparation of the interim financial information, and are sufficient to support the auditor's conclusions about going concern in the interim review engagement, and statements related to going concern in the auditor's interim review report (see proposed action 3.2 below). Added application material to explain that, if a matter comes to the auditor's attention that causes the auditor to believe that the interim 	<u>Requirements:</u> Para. 58-65 <u>Application material:</u> Para. A107-A114

² Reflecting the importance of this topic, some JSS (for example, the UK) have amended their local version of ISRE 2410 to clarify or enhance the auditor's responsibility for, and communication of, going concern-related matters in the interim review engagement, while others (for example Australia and New Zealand) expressed their agreement on the need for a global revision on this matter.

³ ISA 570 (Revised 2024), *Going Concern*

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	financial information may be materially misstated or misleading in relation to going concern, the auditor is required to perform additional procedures (i.e., the “deep dive”) in accordance with paragraph 70.	
(b)(iv)The auditor’s responsibilities relating to fraud and non-compliance with laws and regulations (NOCLAR).	<ul style="list-style-type: none"> Replaced the single requirement in paragraph 41 of extant ISRE 2410 with more robust requirements, consistent with the concepts and principles in ISA 240 (Revised)⁴ and ISA 250 (Revised),⁵ but proportionate to the circumstances of an interim review engagement. Included requirements related to communication with management and those charged with governance, and reporting to an appropriate authority. Added application material to explain that additional procedures are required when the auditor has cause to believe that the interim financial information may be materially misstated. 	<u>Requirements:</u> Para. 52-57 <u>Application material:</u> Para. A99-A106

⁴ ISA 240 (Revised), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁵ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

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(b)(v) The auditor's responsibilities relating to other information.	<ul style="list-style-type: none"> Defined "other information" to establish a clear boundary for consistent determination of what is considered other information in the context of an interim review engagement. Revised the requirements to align more closely with the principles of ISA 720 (Revised)⁶ related to the auditor's responsibility to read the other information and consider whether it is materially inconsistent with the interim financial information. If a material inconsistency appears to exist, the auditor is required to discuss the matter with management or those charged with governance, as appropriate, to determine whether a material misstatement of the interim financial information may exist. 	<u>Definitions:</u> Para. 13(g) <u>Requirements:</u> Para. 86-88 <u>Application material:</u> Para. A10-A11, A131-A136
(c) Special considerations that apply for interim review engagements related to group interim financial information.	<ul style="list-style-type: none"> In lieu of adding multiple definitions to ED-2410 related to group interim review engagements, added a paragraph in the definitions section to explain that terms used in ED-2410 related to groups that are defined in the Handbook's 	<u>Definitions:</u> Para. 14 <u>Requirements:</u> Para. 23(c)(ii), 39-40, 69

⁶ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

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	<p>Glossary of Terms⁷ are intended to be read and applied in the context of a review of the interim financial information of the group performed by the auditor of the group financial statements (a “group interim review engagement”).</p> <ul style="list-style-type: none"> • Added a requirement related to engagement-level quality management for the engagement partner to take overall responsibility for the engagement being performed in accordance with the firm’s quality management policies or procedures, including determining that sufficient and appropriate resources to perform the engagement are assigned or made available in a timely manner. Application material explains that, for a group interim review engagement, such resources may include component auditors. • Added requirements for the group auditor to: <ul style="list-style-type: none"> ○ Determine the nature, timing and extent of the work to be performed by component auditors, if any, and 	<p><u>Application material:</u> Para. A40, A63-A65, A119</p>

⁷ The Glossary of Terms relating to International Standards issued by the IAASB in the Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements (the Handbook).

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	<ul style="list-style-type: none"> ○ If component auditors are involved, communicate with them about the work to be performed and expected communications about the results of that work. ● Added a requirement for the auditor to obtain evidence that the group interim financial information agrees or reconciles to the consolidation schedules and to the records of significant consolidation journal entries and adjustments. 	
3.1 Explore enhancements to the form, structure and presentation of the auditor's review report to enhance the understandability and usefulness of the report to users.	<ul style="list-style-type: none"> ● To improve the communicative value of the auditor's interim review report, the requirements in ED-2410 include the following enhancements related to the form, structure and presentation of the report: <ul style="list-style-type: none"> ○ Requires the auditor's conclusion to be presented first, followed by the Basis for Conclusion section. The form of the auditor's conclusion is dependent on whether the interim financial information is prepared in accordance with a fair presentation framework or a compliance framework. 	<u>Requirements:</u> Para. 95-107 <u>Application material:</u> Para. A146-A172

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	<ul style="list-style-type: none"> ○ Expands on the wording that describes an interim review engagement and its limitations, including how the interim review engagement differs from an audit of financial statements. ○ The Basis for Conclusion section includes a required statement relating to compliance with relevant ethical requirements including, when applicable, that the auditor applied independence requirements specific to audits or reviews of certain entities (e.g., public interest entities). ○ Requires a separate section describing management's responsibility for the interim financial information, including for assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. ● Added a conditional requirement to include the name of the engagement partner for interim review engagements of publicly traded entities. 	

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	<ul style="list-style-type: none"> Included more detailed requirements for expressing a modified conclusion, consistent with the principles in ISA 705 (Revised),⁸ and patterned after the structure of such requirements in other IAASB standards (e.g., ISRE 2400 (Revised)⁹ and ISSA 5000).¹⁰ 	
3.2 Consider whether and, if so, how certain matters are to be included in the auditor's review report, including going concern-related matters.¹¹	<ul style="list-style-type: none"> Added requirements to include a separate section in the auditor's interim review report, with the heading "Going Concern" or "Material Uncertainty Related to Going Concern," as applicable, and the auditor's conclusion, to address the most common scenarios expected in the context of interim review engagements. Requires the auditor to include explicit statements, expressed in a manner consistent with the limited assurance nature of the interim review engagement (i.e., "nothing has come to the auditor's attention") about the 	<u>Requirements:</u> Para. 108-114 <u>Application material:</u> Para. A173-A176

⁸ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

⁹ ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

¹⁰ ISSA 5000, *General Requirements for Sustainability Assurance Engagements*

¹¹ For example, some JSS (Australia, Japan, New Zealand, United Kingdom) have made local modifications to their versions of ISRE 2410, requiring a material uncertainty related to going concern that is adequately disclosed in the interim financial information to be reported under the heading "Material Uncertainty Related to Going Concern," consistent with ISA 570 (Revised), instead of reporting this as an "Emphasis of Matter," as currently required under extant ISRE 2410.

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	<p>appropriateness of management's use of the going concern basis of accounting and the existence of a material uncertainty related to going concern.</p> <ul style="list-style-type: none"> Included a conditional requirement for circumstances when a matter related to going concern, other than a material uncertainty, is disclosed in the interim financial information (e.g., a going concern "close call") and, in the auditor's judgment, the matter is of such importance that it is fundamental to users' understanding of the interim financial information. In these circumstances, the auditor is required to include, in the separate Going Concern section, references to the related disclosure(s) in the interim financial information. This approach is akin to an emphasis of matter paragraph. 	
3.3 Explore other ways to promote user understanding of interim review engagements, such as through non-authoritative guidance or implementation support materials.	As explained in paragraph 16 of the project proposal, some of the issues identified may be resolved through the development of non-authoritative guidance materials. This may include, for example, educational material to clarify the relationship between interim	N/A

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	review engagements and other engagements performed in accordance with other IAASB standard.	
<p>Materiality</p> <p>4.1 Clarify or strengthen, as appropriate, requirements and application material relating to materiality that may support the auditor's determination of materiality in the specific circumstances of interim review engagements.</p>	<ul style="list-style-type: none"> Introduced a requirement for the auditor to determine materiality for the interim financial information as a whole, and apply this materiality in designing review procedures and evaluating the results obtained from those procedures. Also added a requirement for the auditor to revise materiality as the engagement progresses if information comes to the auditor's attention that would have caused the auditor to determine a different materiality. Added application material to explain that the determination of materiality is a matter of professional judgement that involves quantitative and qualitative considerations. It also explains that the determination of materiality is affected by the auditor's perception of the financial information needs of intended users, and is made in the context of the applicable financial reporting framework used in preparing the interim financial information and of the periods covered therein. 	<p><u>Requirements:</u> Para. 41-42</p> <p><u>Application material:</u> Para. A66-A71</p>

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<p>First-time engagements</p> <p>4.2 Explore enhancements to clarify any special considerations related to interim review engagements when the auditor is newly appointed and has not performed an audit of the entity's annual financial statements.</p>	<p>See the explanation above related to first-time interim review engagements in connection with the requirement for the auditor to obtain an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control relevant to the preparation of both annual and interim financial information (proposed action 2.1(b)(i)).</p>	<p><u>Requirements:</u> Para. 43</p> <p><u>Application material:</u> Para. A77-A79</p>
<p>Other matters</p> <p>4.3 Explore clarifications or enhancements to requirements or application material relating to:</p> <p>(a) The work effort relating to acceptance and continuance for the interim review engagements.</p>	<ul style="list-style-type: none"> • Replaced the single requirement in paragraph 10 of extant ISRE 2410 with more robust requirements related to acceptance and continuance that are appropriate for a stand-alone standard addressing all aspects of an interim review engagement. • These requirements reflect the key principles of ISA 210,¹² modified as appropriate for the circumstances of an interim review engagement, including in relation to: <ul style="list-style-type: none"> ○ The preconditions for accepting an interim review engagement, and the implications when the preconditions are not present. 	<p><u>Requirements:</u> Para. 25-37</p> <p><u>Application material:</u> Para. A45-A60</p>

¹² ISA 210, *Agreeing the Terms of Audit Engagements*

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	<ul style="list-style-type: none"> ○ The terms of engagement. Application material explains that the terms of engagement to review the interim financial information may be combined with the terms of engagement to audit the annual financial statements in appropriate circumstances. However, in some jurisdictions it may be necessary to address the terms of the engagement to review interim financial information in a separate engagement letter. ○ Additional considerations when the wording of the auditor's interim review report is prescribed by law or regulation. 	
(b) The extent to which foundational matters such as professional judgment and professional skepticism may need to be addressed.	<ul style="list-style-type: none"> • Retained the requirement in paragraph 6 of extant ISRE 2410 for the auditor to plan and perform the engagement with professional skepticism recognizing that circumstances may exist that cause the interim financial information to be materially misstated. • Added a requirement for the auditor to exercise professional judgment in planning and performing the engagement. 	<u>Requirements:</u> Para. 21-22, 89 <u>Application material:</u> Para. A19-A27

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	<ul style="list-style-type: none"> Added application material based on the concepts in ISA 220 (Revised).¹³ Added a requirement for the auditor's evaluation of the evidence obtained from the review procedures performed to consider all evidence obtained, including evidence that is consistent or inconsistent with other evidence, regardless of whether it appears to corroborate or to contradict the interim financial information as prepared by management. 	
<p>(c) The auditor's responsibilities relating to related party relationships and transactions; and comparative information in a review of interim financial information.</p>	<p><i>Related parties</i></p> <ul style="list-style-type: none"> Added more robust requirements for review procedures regarding related party relationships and transactions, based on procedures in ISRE 2400 (Revised) and jurisdictional interim review standards. <p><i>Comparative information:</i></p> <ul style="list-style-type: none"> Added a conditional requirement for the auditor to obtain evidence about whether comparative information included in the interim financial information agrees with the amounts and other disclosures presented in the prior period, and 	<p><u>Requirements:</u> Para. 49-51, 119</p>

¹³ ISA 220 (Revised), *Quality Management for An Audit of Financial Statements*

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	whether the accounting policies reflected in the comparative information are consistent with those applied in the current period.	
(d) The procedures performed for the interim review engagement versus procedures the auditor may elect to perform concurrently for purposes of the audit of the financial statements.	<ul style="list-style-type: none"> • Added application material that explains that: <ul style="list-style-type: none"> ○ Certain procedures performed for the purpose of the interim review engagement may also provide information that is relevant to the audit of the annual financial statements. ○ The auditor may decide to perform, at the time of the interim review, certain procedures that would need to be performed for the purpose of the audit of the annual financial statements. 	<u>Application material:</u> Para. A91-A92
4.4 Explore areas for which public sector considerations may be needed.	<ul style="list-style-type: none"> • Added public sector considerations in the application material related to: <ul style="list-style-type: none"> ○ The option of withdrawing from the engagement. ○ Engagement letters. 	<u>Application material:</u> Para. A9, A60, A106

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	<ul style="list-style-type: none"> ○ Reporting instances of fraud or suspected fraud or non-compliance or suspected non-compliance with laws and regulations. 	

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