

Comparison of Existing Standards Applicable to Reviews of Interims

Matter	US ED	UK	Canada
Restriction to public or listed entities	Public entity and its subsidiaries or a non public entity that makes a filing with a regulatory entity in preparation for an IPO or listing, if the entity's latest financial statements have been audited.	Bulletin is written from the perspective of review of interims of public companies.	Specifically limited to audited entities.
Reference to other review standards	Reference included – Statements for Accounting and Review Services provide guidance for reviews of financial statements of nonpublic entities.		Reference included to general standards for review engagements. General standards are procedures based. Cdn Board plans to address the inconsistencies between the general review standard and the new assurance standards.
Interim financial information defined as what periods	Financial information or statements covering a period of less than a full year or for a 12 month period ending on a date other than the entity's fiscal year end.	The six month financial information required under the Listing Rule.	Less than a full year.
Frequency	Quarterly reporting – including the 4 th quarter	Semi-annual reports (notes that the approach could be applied to quarterly financial information too).	Regulator requires quarterly reporting.
How quickly released		4 months after period-end.	45 days?
Type of information	Financial information or summarized financial statements	Summarized financial statements, other information.	Interim financial statements that either meet the minimum requirements under GAAP for interim financial statements, or include all information required under GAAP for a full set of financial statements.

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Review required?	Yes	No. Companies may choose to have interim information reviewed, may choose to have specified procedures applied or may choose too have no auditor involvement.	No, but listed companies are required to issue interim financial statements. 02
Timing	SEC requires a review before the entity files the interim reporting.		Desirable that the auditor performs the review before the issuance of the statements but the review may need to be performed subsequently.
Public reporting	Only if entity states that the interim financial information has been reviewed by an independent public accountant.	If review performed in accordance with the Bulletin, required to issue the review report. 8	No – considered a special purpose report for use by the audit committee alone.
Written report required?	Written report is not required but report is necessary if entity states that interim financial information has been reviewed by an independent accountant.	Written report required if a review is performed and report to be reproduced in full with listing information. 8	Written report not required but if the entity makes reference to the auditor's review in a document contain the interim financial statements the auditor would report in writing.33
Objective of the review	"to provide the accountant with the basis for communicating whether he or she is aware of any material modifications that should be made to the interim financial information for it to conform with GAAP" 07	"to assist the company in meeting the Stock Exchange requirements and in the proper control of its affairs and the review report is issued for these purposes only" 1	To assist the entity's audit committee in discharging its responsibilities with respect to interim financial statements. For the auditor, to provide a basis for reporting.
Wording of conclusion	"Based on our review we are not aware of any material modification that should be made to the condensed financial statements ... for them to be conformity with US GAAP."	"On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended ..."	"Based on my review, I am not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian GAAP."

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Restrictions in use identified in the report?	No	No.	Auditor reports, either orally or in writing, to the audit committee. Report required to include a statement restricting the use of the report to the addressee (the audit committee) for its assistance in reviewing the interim financial statements and to disclaim responsibility to any third party who may rely on it. If the entity refers to the auditor's interim review in any document containing the interim financial statements, the auditor's report is required to be included.
Guidance on modification to report	Departure from GAAP 41 Inadequate disclosure 42 Going-concern paragraph – if included in annual financial statements and if not included in annual financial statements 43&44 Subsequent discovery of subsequent event not reported in annual financial statements 45	Scope limitation 43 Going concern 44 If material modification to financial statements 39	Departure from GAAP 36 Limitation in scope 35
Audit based knowledge presumed	Yes – Accountant should have sufficient knowledge of entity's business and its internal control as it relates to preparation of both annual and interim financial information to: <ul style="list-style-type: none"> Identify types of potential material misstatement and likelihood of occurrence; and Select inquiries and A/R to provide basis for reporting. 10	Yes. Guidance provided on additional procedures required if preceding annual financial statements not audited by the auditor (obtain KOB, understand/test controls, obtain sufficient appropriate evidence re opening balances).	Yes, guidance limited to a review performed by the auditor of the entity. Expected to possess or acquire sufficient KOB and of the entity's internal control. If auditor had not audited preceding annual financial statements, expected to perform procedures to obtain the knowledge.

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Explicit recognition of issues associated with first review	<p>Accountant should perform procedures to obtain a sufficient understanding of the business and its internal control to determine the inquiries to be made and A/R to be performed.</p> <p>Would ordinarily make inquiries of the predecessor accountant and review predecessor accountant's documentation. 12</p>	<p>If did not audit the preceding f/f the auditor should:</p> <ul style="list-style-type: none"> Obtain a knowledge of the business sufficient to enable them to identify and understand issues that may have a significant effect on the financial statements and consider the appropriateness of the accounting policies and disclosures Assess inherent risk in relation to financial statements assertions about material account balances and classes of transactions Obtain an understanding of, and where appropriate test, accounting and internal control systems Obtain sufficient appropriate evidence that opening balances have been appropriately brought forward. 20 	<p>When auditor has not audited the most recent annual financial statements or for other reasons has not previously acquired sufficient knowledge of the entity's business and its internal control as it relates to the preparation of both annual and interim financial statements the auditor should perform procedures to obtain such knowledge. 23</p>
Updating knowledge of business	<p>Accountant should perform certain specified procedures to update knowledge of the business. 11</p> <p>Should inquire about and perform procedures to determine whether there have been any significant changes in internal control. 14</p>	<p>Procedures may include:</p> <ul style="list-style-type: none"> updating the auditors' understanding of the company's business and industry in which it operates updating the auditor knowledge of the company's control environment including consideration of the reliability of the management reporting process. App2 	<p>Auditor would normally enquire about internal control, including the control environment and control systems for the preparation of both annual and interim financial statements.</p> <p>Auditor would normally enquire about any significant changes in internal control since the most recent financial statements audit or review of interim financial statements. 25</p>

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Procedures	<p>Consists primarily of performing analytical procedures and making inquiries of persons responsible for financial and accounting matters. 07</p> <p>The accountant should perform certain analytical procedures. 17</p> <p>The accountant may wish to perform other analytical procedures. App A</p> <p>Auditor should conduct certain inquiries of management who has responsibility for financial and accounting matters. 20</p>	<p>Normally limited to enquiry and analytics, but specific procedures are left to the professional judgment of the auditor based on his or her assessment of the risk of material misstatement. If that risk is high, expected to carry out additional or more extensive procedures. An appendix describes illustrative procedures.</p>	<p>Consist of enquiry, analytical procedures and discussion and additional enquiries or other procedures when the auditor becomes aware of information that leads him or her to question whether a material modification is necessary. 21</p> <p>The auditor would normally perform certain specified procedures. 25</p>
Legal letter	<p>Not ordinarily necessary to send a legal letter – however if information comes to accountant’s attention that leads him/her to question whether the information departs from GAAP with respect to litigation an inquiry as to a specific question might be appropriate. 22</p>	<p>Not mentioned.</p>	<p>Not ordinarily necessary to send a legal letter – however if information comes to accountant’s attention that leads him/her to question whether the information departs from GAAP with respect to litigation an inquiry as to a specific question might be appropriate. 29</p>

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Going concern	Not designed to identify conditions or events that create substantial doubt but matters might come to the accountant's attention. If such matters are identified the accountant should (a) inquire of management as to its plan for dealing with the adverse effects of the conditions, and (b) consider the adequacy of the disclosure about such matters in the interim financial information. 23	<p>In light of the work performed by directors the auditors re-assess the results of the procedures they carried out as part of the preceding annual audit.</p> <p>Auditor considers whether any significant factors previously identified have changed to such an extent as to affect the appropriateness of the going concern presumption. 27</p> <p>In the absence of significant concern as to the appropriateness of the going concern assumption the review is limited to enquiries of management regarding any significant changes in cash flow forecasts and banking arrangements and any other matters the auditor may consider appropriate. Where there are significant concerns as to the appropriateness of the going concern basis, it is likely that additional procedures will be necessary. 27</p>	Enquiry of going concern included in a list of procedures that the auditor would normally perform. 25
Fraud	Inquire of management. 20 Management representation. 21	No procedures with respect to fraud.	No procedures with respect to fraud.
Subsequent events	Should inquire of management. 20	Yes, enquire up to date of approval of the financial information. 25	Enquiry of subsequent events included in a list of procedures that the auditor would normally perform. 25
Evaluating results of procedures	<p>Accountant should accumulate for further evaluation likely misstatements identified in performing the review procedures. 25</p> <p>Should use professional judgment in evaluating the materiality of any likely misstatement the entity has not corrected. 26</p>	No specific section.	No specific section.

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Engagement letter	Accountant should establish an understanding with the client regarding the services to be performed. This understanding should be documented. The understanding would generally include certain specified matters. 08	It is in the interest of the auditors and the entity that the auditors send an engagement letter. 12 Description of matters generally included in an engagement letter. 13 Illustrative example of an engagement letter. App1	Auditor should reach an understanding and agreement on the terms of the engagement with the audit committee, and confirm with it the nature and scope of the procedures to be performed. 14 Highly desirable that the auditor confirm the understanding in writing. Highly desirable that the auditor confirm certain specified matters. 15
Management rep	Accountant should obtain written representation for all interim financial information presented and for all periods covered by the review. Representations should cover certain specified matters. 21	The possibility of misunderstandings concerning relevant information and explanation obtain in oral responses to enquires may be reduced by obtaining confirmation in writing. 28 Contains list representations normally included. 28 Illustrative management rep letter. App3	Management representation included in a list of procedures that the auditor would normally perform. 25 Contains list of matters that could be included in a management representation letter.
Responsibility for other information	Should read to consider whether the information or the manner of its presentation is materially inconsistent with the interim financial information. 20	Yes, guidance provided – not in conflict, not misleading.	Not addressed.

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Documentation	<p>Should prepare documentation – form and content should be designed to meet the circumstances of the particular engagement. 49</p> <p>Documentation should include any findings or issues that are in the accountant’s judgment significant.</p> <p>Documentation should:</p> <ul style="list-style-type: none"> • Enable members of the engagement team with supervision and review responsibilities to understand the nature, timing, extent and results of the review procedures performed, • Identify the engagement team members who performed and reviewed the work, • Identify the evidence the accountant obtained to support the conclusion that the interim financial statements agreed or reconciled with the accounting records. 	<p>Auditors document:</p> <ul style="list-style-type: none"> • Details of the planning of the engagement • The nature, timing and extent of the procedures performed in relation to the financial statements and the conclusions drawn • Auditor’s reasoning and conclusions on all significant matters which require the exercise of judgment. 24 	<p>Auditor should document matters that in his or her professional judgment are important to support the content of his or her communication. 53</p>

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Communications of findings	<p>If material modification to conform with GAAP is needed or entity filed 10Q before the review was completed accountant should communicate to the appropriate level of management as soon as possible. 28</p> <p>If management does not respond in appropriate period of time inform the audit committee. 29</p> <p>If audit committee does not respond consider resigning or consulting with attorney. 30</p> <p>Fraud that comes to auditors attention. 31</p> <p>Might report internal control weaknesses. 32</p> <p>Communication can be written or oral – if oral the communication should be documented. 35</p>	<p>Matters which may require discussion with board of directors and audit committee include:</p> <ul style="list-style-type: none"> • Scope and results of procedures undertaken • Process by which financial statements has been prepared and in particular the process used by management in formulating accounting estimates and the basis of the auditors conclusions regarding the reasonableness of those estimates • Changes to accounting policies and presentation , the reasons for them and whether the prior years comparative have been restated • Matters that cause auditors to believe the financial statements may be materially misstated • Significant adjustments resulting from the review • Changes to accounting policy • Material inconsistencies in other information presented with the financial statements. 32 	<p>Should communicate a significant weakness in internal control if auditor becomes aware of such a weakness. 44</p> <p>Should communicate any significant misstatement, whether or not adjusted, and any illegal of possibly illegal act unless it is clearly inconsequential. 46</p> <p>Might wish to report:</p> <ul style="list-style-type: none"> • Process used by management to formulate particularly sensitive accounting estimates • Change in significant accounting policy • Resolution or further developments in problem areas in previous years or periods • Significant and unusual transactions • Difficulties in performing the review • Disagreements with management about the financial statements.
Other	Guidance on interim information accompanying financial statements.	Request to discontinue an interim review engagement.	

Summary of IAS 34 – Interim Financial Reporting

Minimum content of an interim financial report

- Condensed balance sheet
- Condensed income statement
- Condensed cash flow statement
- Condensed statement showing changes in equity
- Selected explanatory notes

The interim notes include primarily an explanation of the events and changes that are significant to an understanding of the changes in the financial position and performance of the enterprise since the last annual reporting date. The enterprise should apply the same accounting policies in its interim financial report as are applied in the annual statements except for accounting policy changes made after the date of the most recent financial statements. Measurements for interim reporting purposes are made on a year-to-date basis.

Enterprise should include the following information in the notes, if material and not disclosed elsewhere:

- Statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements. Or if those policies have changed a description of the nature and effect of the change
- Explanatory comments about the seasonality or cyclical nature of interim operations;
- The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence;
- The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period;
- Issuances, repurchases, and repayments of debt and equity securities;
- Dividends paid (aggregate or per share) separately for ordinary shares and other shares;
- Segment revenue and segment result for business segments or geographical segments, whichever is the enterprise's primary basis of segment reporting (disclosure of segment data is required in an enterprise's interim financial report only if IAS 14, Segment Reporting, requires that enterprise to disclose segment data in its annual financial statements);
- Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

- The effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations; and
- Changes in contingent liabilities or contingent assets since the last annual balance sheet date.

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