



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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## Agenda Item

# 8

**Committee:** IAASB  
**Meeting Location:** New York  
**Meeting Date:** May 11-13, 2003

### Review of Interim Financial Information

#### Objective of Agenda Item

To review the ISA and approve it for release as an exposure draft.

#### Background

At the March 2003 meeting, the IAASB discussed a draft ISA dealing with the auditor's responsibilities when the auditor undertakes an engagement to review the interim financial information of an audit client. The IAASB provided comments and suggestions for the Task Force.

#### Activities Since Last IAASB Discussion

The Task Force held a conference call in April 2003, to discuss the changes to the draft ISA to address the IAASB's comments. The more significant changes to the draft are as follows:

##### DIFFERENCE BETWEEN ED AND ISA 910

The IAASB requested that additional explanatory material be added to the draft to explain the difference between those engagements conducted in accordance with the proposed ISA and those engagements conducted in accordance with ISA 910. A new paragraph has been added to the document to discuss the differences, the most significant of which is the fact that under the proposed ISA, the practitioner, as auditor of the entity, possesses "audit-based knowledge" of the entity. It is this knowledge that allows the auditor to focus the inquiries to be made and analytical procedures applied.

In addition it is proposed that the name of this ISA be changed to "Review of Interim Financial Information Performed by the Auditor of the Entity."

##### CONFORMITY WITH ASSURANCE FRAMEWORK AND ISAE 2000

The IAASB requested that the draft ISA be reviewed to ensure that it conforms with the Assurance Framework and ISAE 2000 that were approved for exposure at the March 2003 meeting. As a result of this review, the following changes have been made to the draft:

- A new section *General Principles of a Review of Interim Financial Information* has been added to the draft. This section contains black lettered requirements relating to:
  - Compliance with the requirements of Parts A and B of the IFAC Code of Ethics;

- Implementation of quality control procedures that are, in the context of the policies and procedures of the firm, appropriate to a review of interim financial information; and
- Planning and performing the review with an attitude of professional skepticism.
- A black lettered requirement relating to inquiries about events subsequent to the balance sheet date has been added.
- The description of an objective of an engagement to review interim financial information states that the auditor reduces to a moderate level the risk that the interim financial information is materially misstated.

#### GOING CONCERN

The IAASB requested that the ED contain a black lettered requirement for the auditor to make inquiries of management about its assessment of the going concern assumption. This requirement has been added to the draft.

#### INABILITY TO COMPLETE THE REVIEW

The IAASB requested that the ED contain a black lettered requirement relating to the auditor's responsibilities when the auditor is unable to complete the review. This requirement has been added to the draft.

#### EMPHASIS OF A MATTER

The IAASB requested that the ED provide guidance on an emphasis of a matter paragraph. The draft now contains a new paragraph stating that in certain circumstances the auditor may modify the review report by adding an emphasis of a matter paragraph.

#### SAMPLE REPORT

Some changes have been made to the sample report. These changes were made to emphasize the fact that it is the entity's independent auditor that is performing the review. An alternative first paragraph has been included for discussion by the IAASB.

#### Material Presented

Agenda Paper 8-A (Pages 655 – 674)	Proposed ISA Review of Interim Financial Information Performed by the Auditor of the Entity (Clean)
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Agenda Paper 8-B (Pages 675 – 696)	Proposed ISA Review of Interim Financial Information Performed by the Auditor of the Entity" (Marked to show changes from March 2003 draft)
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#### Action Requested

IAASB is asked to review the draft ISA and approve it for release as an exposure draft, with an exposure period ending on July 31, 2003. This would give people two full months to provide comments and, depending on the nature of the comments received, would allow the Task Force to bring either significant issues or a revised document to the October 2003 meeting, with the view to approval of a final standard at either that meeting or the December 2003 meeting.

The marked draft is presented for information purposes. The discussion at the IAASB meeting will focus on the clean draft.