

### ISRE 2410<sup>1</sup> – Issues Paper

#### Objectives of the IAASB Discussion

The objectives of this session are to obtain the Board's views on:

- (a) The issues and challenges discussed in this paper related to extant ISRE 2410 and its application, identified through the information-gathering activities described in **Appendix 1**; and
- (b) The draft project proposal to address these issues and challenges, as presented in **Agenda Item 6-A**.

#### Introduction

1. Interim financial reporting within the annual reporting cycle provides regular and timely updates about an entity's financial position and performance that inform users' capital allocation decisions, contributing to market stability. While management is responsible for the preparation of the interim financial information, the review of that information by the auditor of the entity, under ISRE 2410, enhances the confidence of intended users of that information.
2. ISRE 2410 has remained largely unchanged since it was issued in 2005.<sup>2</sup> Since its release, the financial reporting ecosystem has continued to evolve, the IAASB has issued ISRE 2400 (Revised)<sup>3</sup> (which addresses review engagements of historical financial information performed by a practitioner who is not the auditor of an entity's annual financial statements), and there have been revisions of certain International Standards on Auditing (ISAs) that may be of relevance to interim review engagements. This has led to issues and challenges in the application of ISRE 2410, resulting in inconsistencies in global practice in the work effort for, and reporting on, these engagements.
3. In response, the IAASB's Strategy and Work Plan for 2024-2027, approved in December 2023, included a project to revise ISRE 2410. A project team (Appendix 2) has commenced information-gathering activities (further described in Appendix 1) to identify issues and challenges relating to ISRE 2410 and its application, and to develop a project proposal that appropriately identifies the scope and objectives of a project to revise ISRE 2410. Importantly, revising ISRE 2400 (Revised) is not in scope of this project, since feedback received from stakeholders, including from the Strategy and Work Plan consultation, has not identified a need to currently revisit ISRE 2400 (Revised). As further discussed below, ISRE 2400 (Revised) will be an important reference source for this project.

<sup>1</sup> International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

<sup>2</sup> ISRE 2410 is in a pre-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. It resulted in the issue of redrafted ISAs in what is commonly referred to as the *Clarity* format. ISRE 2410 has not been "clarified" and 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.

<sup>3</sup> ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

4. This paper describes the issues identified from the information-gathering activities that have been undertaken thus far, and notes the appropriateness of these activities under the criteria set out in the [Framework for Activities](#) to provide a basis for a standard-setting project to revise ISRE 2410. It consists of the following sections:

A – Issues and Challenges Identified Related to ISRE 2410 and its Application

B – The Development of a Project Proposal to Revise ISRE 2410

C – Next Steps

Appendix 1 – Information-Gathering Activities

Appendix 2 – Project Team and Project Board Members.

**Other Materials Presented**

<b>Agenda Item 6-A</b>	Draft Project Proposal to Revise ISRE 2410
<b>Agenda Item 6-B (Supplemental)</b>	ISRE 2410, <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>

**A. Issues and Challenges Identified Relating to ISRE 2410 and its Application**

5. Based on information gathering performed, the project team has determined that the following three core issues with ISRE 2410 contribute to inconsistencies in global practice, and to divergent interpretations across preparers, users and practitioners about the intended purpose and scope of interim review engagements:
- (a) The relationship between the core principles and concepts in ISRE 2410 and those in other IAASB standards that address limited assurance engagements is not clear;
  - (b) ISRE 2410 is outdated and may not fully meet the heightened expectations of stakeholders; and
  - (c) The reporting and communication requirements in ISRE 2410 may not offer sufficient clarity for intended users about the nature and scope of the engagement.
6. Paragraphs 7-38 below describe these core issues, and other issues and challenges identified relating to ISRE 2410 and its application.
- A.1 *The Relationship between the Core Principles and Concepts in ISRE 2410 and Those in Other IAASB Standards that Address Limited Assurance Engagements Is Not Clear***
7. In response to prior IAASB consultations, stakeholders have highlighted a lack of clarity about how the principles and concepts in ISRE 2410 relate to the principles in other standards that address limited assurance engagements, including ISRE 2400 (Revised). Additionally, it was noted that some terms and concepts used in ISRE 2410 are not wholly aligned with their use in the *International Framework for Assurance Engagements* (the Framework). For example, the Framework and ISRE 2400 (Revised) describe a limited assurance engagement as one in which the practitioner

reduces engagement risk to a “level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement.”<sup>4</sup> In comparison, ISRE 2410<sup>5</sup> does not refer to limited assurance. Rather, it describes that, in an interim review engagement, an auditor performs procedures to “reduce to a moderate level the risk of expressing an inappropriate conclusion when the interim financial information is materially misstated.” This difference in wording gives rise to a lack of clarity about the relationship between ISRE 2410 and other IAASB standards that address limited assurance engagements under the Framework.

#### Relationship with ISRE 2400 (Revised)

8. ISRE 2400 (Revised) and ISRE 2410 are both standards that address reviews of historical financial information (as a type of limited assurance engagement). However, it is important to note the following:
- (a) ISRE 2400 (Revised) is not an “umbrella” standard for ISRE 2410. An auditor performing an interim review engagement in accordance with ISRE 2410 is not required to also comply with ISRE 2400 (Revised). This is different from the International Standards on Assurance Engagements, for which compliance with ISAE 3000 (Revised)<sup>6</sup> is required for each of the underlying subject-matter specific standards (e.g., ISAE 3410<sup>7</sup>).
  - (b) Engagements under each standard are performed for different reasons, by practitioners with different levels of knowledge of the entity. A review under ISRE 2400 (Revised) is an alternative engagement to an audit that is performed by a practitioner who is not the auditor of the entity’s financial statements, while an interim review engagement under ISRE 2410 is performed by the auditor of the entity. As a result, a practitioner undertaking a review engagement under ISRE 2400 (Revised) does not ordinarily have the same understanding of the entity and its environment, including its internal control, as the auditor of the entity, and therefore needs to carry out different inquiries and procedures to meet the objective of a review under ISRE 2400 (Revised), than those that the auditor may need to perform to achieve the objective of an interim review engagement under ISRE 2410 and meet stakeholders’ needs.<sup>8</sup>
  - (c) Furthermore, the concept of proportionality is also important to consider in the context of ISRE 2410. Jurisdictions that require interim financial reporting generally do not require complete sets of financial statements to be provided at interim dates. The expected speed to market and associated lower cost of an interim review engagement compared to an audit are key public interest considerations. Therefore, it will be necessary to consider this matter when considering the extent to which any requirements in the ISAs are relevant to revising

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<sup>4</sup> ISRE 2400 (Revised), paragraph 17 (f)

<sup>5</sup> ISRE 2410, paragraph 7

<sup>6</sup> ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*

<sup>7</sup> ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

<sup>8</sup> ISRE 2410, paragraph 3

ISRE 2410, and the extent to which requirements from ISRE 2400 (Revised) may be drawn on instead.

#### Other Standards that Address Limited Assurance Engagements

9. Recently, the IAASB further discussed and clarified foundational principles and concepts relating to certain limited assurance engagements on non-financial information,<sup>9</sup> which may appear to differ from how those principles and concepts apply to review engagements, including those under ISRE 2400 (Revised) and ISRE 2410.
10. An important point of clarification is that a limited assurance engagement in accordance with ISAE 3000 (Revised), ISAE 3410 or ISSA 5000 is not a “review” engagement. Review engagements are performed only in relation to historical financial information. Sustainability and other assurance engagements are performed in relation to different types of information. Historical financial information is conceptually different to other information that may be subject to limited assurance engagements. Commonly applicable financial reporting frameworks, and generally accepted accounting practice, is such that different areas of historical financial information relate to one another through financial or other relationships, while other information subject to assurance does not necessarily operate that way. For example, different components of a greenhouse gas emissions statement, or of a sustainability report, do not necessarily relate to one another.
11. This is why, as explained in the application material in ISAE 3000 (Revised),<sup>10</sup> the nature, timing and extent of procedures that may be relevant to practitioners obtaining “a meaningful level of assurance” are likely to vary based on the subject matter of the engagement. The usual procedures relevant to a review of historical financial information<sup>11</sup> (i.e., primarily inquiries and analytical procedures) may not necessarily be sufficient or appropriate compared to those that would be necessary to obtain a meaningful level of assurance in other limited assurance engagements. Therefore, the IAASB concluded that an identification and assessment of the risks of material misstatement for limited assurance engagements under ISRE 3410 and ISSA 5000<sup>12</sup> was appropriate in order to drive the development and performance of further procedures to obtain evidence to support a meaningful level of assurance.<sup>13</sup>
12. Nonetheless, there may be merit in clarifying this rationale as part of the project to revise ISRE 2410 to address questions from stakeholders on this point.

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<sup>9</sup> Including through discussing concepts in International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* during the development of International Standard on Sustainability Assurance (ISSA)<sup>TM</sup> 5000, *General Requirements for Sustainability Assurance Engagements*

<sup>10</sup> ISAE 3000 (Revised), paragraphs A5-A7

<sup>11</sup> ISRE 2400 (Revised), paragraph 45

<sup>12</sup> ISSA 5000, paragraph 103L

<sup>13</sup> Refer to *Basis for Conclusions: ISSA 5000 and Conforming and Consequential Amendments to Other IAASB Standards Arising from ISSA 5000 (November 2024)*, paragraphs 108-110; and *Basis for Conclusions: ISAE 3410, Assurance Engagements on Greenhouse Gas Statements (June 2012)*, paragraphs 16-20

*A.2 ISRE 2410 is Out of Date and May Not Fully Meet the Heightened Expectations of Stakeholders*

13. ISRE 2410 has not been updated in the clarity<sup>14</sup> format. Additionally, since ISRE 2410 was issued in 2005, various IAASB standards have been revised, with enhancements that, in part, were intended to respond to heightened expectations of stakeholders, including intended users of financial statements, about assurance engagements and the responsibilities of independent auditors. The topics of these enhancements include:
- (a) Quality management
  - (b) Understanding the entity and its environment, including the system of internal control
  - (c) Accounting estimates
  - (d) Going concern
  - (e) Fraud and non-compliance with laws and regulations
  - (f) Group engagements
  - (g) Auditor reporting (see A.3)
14. Any enhancements made to ISRE 2410 to address these topics would need to be done in a proportionate manner to the purpose and scope of an interim review engagement, so may draw on revisions to ISAs on those topics, or on the current requirements and application material in ISRE 2400 (Revised) relating to these topics. They may also draw on the fact that in some jurisdictions, interim review engagement standards, and current practice by auditors, have evolved to address these topics, based in part on the expectations of intended users for interim review engagements.
15. These topics, including specific matters that may be considered in a revision of ISRE 2410, are further described in paragraphs 16 to 30 below.

**A2.1 Quality Management**

16. It is in the public interest that requirements in ISRE 2410 and related requirements in the quality management standards operate together, due to the importance of firm-level quality management to the consistent performance of quality engagements; especially considering that reviews of interim financial information are ordinarily performed for larger or more complex entities, and public interest entities.
17. Matters that may need to be considered include enhancements to:
- (a) Establish the foundational relationship between ISRE 2410 and the quality management standards; and
  - (b) Requirements relating to quality management at the engagement level.

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<sup>14</sup> See footnote 2.

#### A.2.2 Understanding the Entity and Its Environment, Including the System of Internal Control

18. ISRE 2410 applies to interim review engagements performed by an entity's auditor and is premised on "audit-based knowledge" that the auditor obtains from the required understanding of the entity and its environment, including its system of internal control, when performing the audit of the annual financial statements. When the auditor of the financial statements reviews the interim financial information of the entity, this understanding is updated through inquiries made in the course of the review and assists the auditor in focusing the inquiries to be made and the analytical and other review procedures to be applied.<sup>15</sup>
19. ISA 315 (Revised 2019) enhanced the work effort required for the risk assessment procedures for an audit of financial statements. However, questions have arisen about whether the requirements of ISRE 2410 relating to updating the auditor's understanding of the entity and its environment may need revising for enhanced consistency.
20. The information-gathering activities identified the following matters that may need to be considered as part of a project to revise ISRE 2410:
  - (a) Whether and, if so, how the auditor should consider the risk assessment from the most recent audit of the financial statements when planning and performing procedures for the interim review engagement; and
  - (b) Special considerations related to first-time interim review engagements (see paragraph 37 below).

#### A.2.3. Accounting Estimates

21. As financial reporting becomes increasingly complex, and accounting estimates permeate many aspects of financial information, including interim financial information, the expectations of the work effort required relating to accounting estimates in assurance engagements have also evolved. The IAASB's project to revise ISA 540 on accounting estimates was [completed](#) in June 2018 resulting in a revised standard with enhanced requirements relating to the audit of accounting estimates and their related disclosures.
22. Use of accounting estimates are vital in the preparation of both interim financial information and the annual financial statements. However, estimates in interim financial information are often less comprehensive owing to time to market of the financial information, and disclosure requirements are typically reduced.
23. ISRE 2410 does not currently reflect any proportionate enhancements related to accounting estimates that may be relevant for an interim review engagement, noting that the work effort on accounting estimates on interim review engagements would need to be commensurate with obtaining limited assurance on the interim financial information. In this regard, it is noted that the requirements in ISRE 2400 (Revised) relating to accounting estimates remain focused on *inquiries* about how management makes the significant accounting estimates required under the applicable financial reporting framework.

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<sup>15</sup> ISRE 2410, paragraph 18

#### A.2.4 Going Concern

24. Respondents to the IAASB's previous consultations and the Request for Information issued in November 2024 to Jurisdictional and National Auditing Standard Setters (NSS) (2024 NSS RFI – refer to **Appendix 1**) recognized a need to update ISRE 2410 to clarify the auditor's responsibility with respect to going concern in an interim review engagement.<sup>16</sup> This reflects heightened stakeholder expectations regarding the auditor's responsibilities and work effort related to management's assessment of going concern at an interim date, including the auditor's communication and reporting on the topic. Such clarifications would need to consider that financial reporting frameworks relevant to the preparation of interim financial statements may not require management to make an assessment of going concern at an interim date.
25. Specific matters identified by stakeholders, including NSS respondents, that may need to be considered in relation to going concern for an interim review engagement include, but are not limited to:
- (a) The auditor's responsibilities and the nature and extent of procedures relating to going concern to be performed.
  - (b) The timeline over which management's going concern assessment is evaluated.
  - (c) Communicating going concern-related matters in the interim review report.<sup>17</sup>
26. Further, IAASB decisions taken in approving ISA 570 (Revised 2024) will also warrant consideration. The ISRE 2410 project team intends to coordinate with, and obtain input from, the ISA 570 (Revised 2024) project team in this regard.

#### A.2.5 Fraud and Non-Compliance with Laws and Regulations (NOCLAR)

27. It is in the public interest that the auditor and stakeholders have a clear understanding of the auditor's responsibilities in relation to fraud and NOCLAR in the interim review engagement, and how they may differ to those in the annual audit (or review in accordance with ISRE 2400 (Revised)). Matters identified through the information-gathering activities that may need to be considered in a project to revise ISRE 2410 include:
- (a) Enhancements to the auditor's responsibilities in an interim review engagement relating to fraud and NOCLAR, including the nature and extent of procedures required, and the required response if the auditor identifies or suspects fraud or NOCLAR; and
  - (b) Enhancements to communications relating to fraud-related matters or NOCLAR (see also A.3).

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<sup>16</sup> Reflecting the importance of this topic, some NSS (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.

<sup>17</sup> For example, some NSS (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.

28. The effect on interim review engagements of IAASB decisions taken in revising ISA 240 to enhance or clarify the auditor's responsibilities on fraud in an audit of financial statements and strengthening communications relating to fraud-related matters with those charged with governance and in the interim review report, will also be considered. The ISRE 2410 project team will coordinate with, and obtain input from, the ISA 240 (Revised) project team in this regard.

#### A2.6 Group Engagements

29. Some respondents to the IAASB's previous consultations and respondents to the 2024 NSS RFI highlighted the lack of alignment between principles in ISRE 2410 and those in ISA 600 (Revised) related to review engagements on the interim financial statements of a group. Feedback from practitioners also indicated that as ISA 600 (Revised) applies to audits, not limited assurance engagements, determining the extent to which it may be appropriate to apply some of its principles to the circumstances of interim review engagements remains challenging. For example, there are no applicable principles or requirements in ISRE 2410 related to the involvement of, and communication with, component auditors, in designing and performing a review engagement on the interim financial statements of a group. Notably, ISRE 2400 (Revised) does not explicitly address group engagements.
30. Matters relevant to planning and performing a review engagement on the interim financial information of a group, including materiality considerations and the involvement of and communication with component auditors, may therefore be considered in revising ISRE 2410, to an extent proportional to the facts and circumstances of interim review engagements.

#### A.3. *The Clarity of Reporting and Communication Requirements in ISRE 2410, Including Clarity for Intended Users about the Nature and Scope of the Engagement*

31. It is in the public interest that users of interim financial information and interim review reports are clear about the:
- (a) Purpose of the interim review engagement;
  - (b) Distinctions 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, timing, and extent of procedures performed in an interim review engagement, compared to an audit of annual financial statements.

A lack of clear and consistent understanding of these differences may increase the diversity in practice among practitioners across jurisdictions, some of whom may seek to reduce the expectations gap that these matters create, by applying localized enhancements to performance, communication or reporting requirements.

32. The IAASB has previously 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, in its Auditor Reporting Standards project.<sup>18</sup> 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 Board 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.<sup>19</sup>

33. However, the Board 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. Therefore, and consistent with input from stakeholders as part of the information-gathering activities, the structure, form and content of interim review reports are matters for consideration in a revision of ISRE 2410.<sup>20</sup>
34. In considering revisions to the reporting requirements of ISRE 2410, matters that may be considered include:
- (a) The clarity of wording in, and the placement of, the auditor's limited assurance conclusion within the interim review report;
  - (b) The possibility of communicating matters that are conceptually analogous to the "key audit matters" addressed in ISA 701, in a proportionate manner that recognizes the needs of users of interim financial reports and the nature of an interim review engagement. As noted in the final recommendations from the auditor reporting post-implementation review, any consideration of communicating key audit matters for an interim review engagement would need to avoid inadvertently creating a perception that a greater level of assurance than is appropriate has been obtained; and

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<sup>18</sup> The new and revised Auditor Reporting Standards were published in January 2015 and comprise: ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*; ISA 570 (Revised), *Going Concern*; ISA 260 (Revised), *Communication with Those Charged with Governance*; and conforming amendments to other ISAs.

<sup>19</sup> Notwithstanding, responses to the 2024 NSS RFI indicated that some NSS, including Australia, New Zealand and Japan, have updated their local versions of ISRE 2410 to more closely align their interim review reporting requirements with the auditor's reporting requirements applicable under the new and revised Auditor Reporting Standards.

<sup>20</sup> The IAASB may also contribute to clarifying the purpose of an interim review engagement through other actions; including for example, by explicitly recognizing in introductory text to ISRE 2410 the economic rationale for a review engagement rather than an audit of interim financial statements; by ensuring that any revisions proposed to requirements and application material are proportionate to the purpose of an interim review engagement and to user needs from such an engagement (particularly when evaluating the extent to which requirements and application material from the ISAs may be applicable to an interim review engagement); and by producing educational material or non-authoritative guidance on the topic, targeted at users of interim financial information.

- (c) The nature of communication relating to the auditor's responsibilities, work effort, and conclusions relating to going concern and fraud-related matters, including a description of the respective responsibilities of management or those charged with governance, and the auditor, on those matters, in the context of an interim review engagement (see also A.2.4 and A.2.5).

#### A.4 Other Issues or Challenges Identified

##### Materiality

- 35. The 2024 NSS RFI identified practical challenges around the application of the concept of materiality when performing engagements under ISRE 2410, including as it relates to concepts in ISA 320<sup>21</sup> and ISA 450.<sup>22</sup> For example, materiality determined based on revenue or profit may be significantly lower for an interim review engagement than for the annual audit and, as such, a matter may be material for the interim review engagement but not for the audit; while materiality determined based on total assets may more likely be consistent between annual and interim periods. Some practitioners explained that some of the challenges in this area arise in circumstances where a misstatement may appear material in the context of interim financial information, but not in the context of audited financial statements.
- 36. These challenges indicate that requirements in ISRE 2410 relating to materiality (e.g., "consider materiality with reference to the applicable financial reporting framework as it relates to interim financial information"<sup>23</sup>) may not be sufficiently clear to enable consistent interpretation and application by auditors performing interim review engagements. Therefore, the project to revise ISRE 2410 may consider the unique considerations and challenges related to the application of materiality in an interim review engagement.

##### Specific Considerations Applicable to First-Time Interim Review Engagements

- 37. Because of the connectivity between the interim review engagement and the annual financial statement audit, specific challenges arise in applying ISRE 2410 when the auditor's first engagement for the entity is the interim review rather than the audit. Specific matters that may be considered include:
  - (a) The auditor's responsibilities relating to opening balances.
  - (b) The nature, timing and extent of procedures required relating to obtaining an understanding of the entity and its environment, including the entity's system of internal control, since the understanding that is required to be obtained in an audit engagement when performing risk assessment procedures under ISA 315 (Revised 2019) has not yet been obtained.

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<sup>21</sup> ISA 320, *Materiality in Planning and Performing an Audit*

<sup>22</sup> ISA 450, *Evaluation of Misstatements Identified during the Audit*

<sup>23</sup> ISRE 2410, paragraph 15

Other matters

38. Other matters identified through the information-gathering activities that may need further consideration in the context of an interim review engagement include:
- (a) Whether there is a need for separate acceptance and continuance requirements considering that the interim review is an engagement distinct from the audit of the annual financial statements.
  - (b) The extent to which foundational matters such as professional judgment and professional skepticism may need to be addressed in ISRE 2410.
  - (c) Auditor's responsibilities relating to related party relationships and transactions.
  - (d) Auditor's responsibilities relating to comparative information.

**Matters for Board Consideration**

The Board is asked for its views on:

*Information-Gathering Activities*

- (a) The adequacy of the information-gathering activities undertaken by the project team (see also **Appendix 1**) to identify and understand issues related to ISRE 2410 and its application, which support the development of a project proposal to revise ISRE 2410.

*The Issues Identified*

- (b) Whether the issues identified and described in **Section A** above are the issues that should be explored in a project to revise ISRE 2410.
- (c) Whether there are any other issues that should be explored in a project to revise ISRE 2410.

**B. The Development of a Project Proposal to Revise ISRE 2410**

39. In light of the public interest in addressing the issues identified to clarify and enhance the scope of interim review engagements and the responsibilities of the auditor in supporting the consistent performance of quality interim review engagements, the project team has developed a draft project proposal to revise ISRE 2410, as presented in **Agenda Item 6-A**.
40. In developing the project proposal, the project team considered:
- (a) The desired goal of revising the standard and how it would serve users' needs;
  - (b) The stakeholder groups with legitimate interests in the proposed standard, who would be impacted by a project to revise ISRE 2410; and

- (c) How the revised standard's responsiveness to the goal would be assessed, having due regard to the qualitative characteristics that standards should exhibit under the IAASB's Integrated Due Process and Public Interest Framework (PIF) Operating Procedures.<sup>24</sup>
41. In addition to specifying the subject of the project and providing an introduction to the topic of interim review engagements, the draft project proposal comprises the following sections:
- (a) **Sections III and IV**, describe the proposed project objective, the stakeholders whose interests would most be impacted by the project, and the qualitative standard-setting characteristics of most relevance to assess the proposed revised standard's responsiveness to the stated objective.
  - (b) **Section V** sets out the scope of the project, being the issues identified and proposed actions to address them.
  - (c) **Section VI** describes the anticipated timeline for the project, and
  - (d) **Section VII** describes the expected output of the project, and the planned mechanism for assessing the impact of the project.

#### **Matters for Board Consideration**

The Board is asked for its input on the draft project proposal in **Agenda Item 6-A**. In particular:

##### *Project Objective*

- (a) Whether the project objective in **Section III** reflects an outcome that appropriately serves the public interest.

##### *Stakeholders Needs*

- (b) Whether the identified stakeholder groups in **Section IV** appropriately reflect those from the PIF who would be most impacted by the proposed revised standard.

##### *Scope – Proposed Actions*

- (c) Whether the proposed standard-setting actions set out in the table in **Section V** (third column) are suitable to address the identified issues (second column). The project team is not seeking possible solutions to the identified issues at this time.
- (d) Whether there are proposed actions that the project team should explore that are not currently presented in the draft project proposal, including any non-authoritative guidance.

##### *Other Matters*

- (e) Whether the proposed timeline (**Section VI**), output and impact (**Section VII**) appear appropriate to the circumstances of the project, and responsive to stakeholder needs.

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<sup>24</sup> "The Public Interest Framework (PIF), its qualitative standard-setting characteristics and its interaction with due process are described in the draft project proposal in Agenda Item 6-A.

- (f) Whether there are any other matters that the project team should consider in finalizing a project proposal to revise ISRE 2410.

**C. Next Steps**

42. Following the March 2025 IAASB meeting, the project team will address key matters raised at the Board meeting in further developing the draft project proposal, for discussion and planned approval at the June 2025 IAASB meeting.
43. As required under the Integrated Due Process and PIF Operating Procedures, prior to the June 2025 IAASB meeting, the project team will circulate the draft project proposal to the Program and Senior Director of the International Ethics Standards Board for Accountants, to identify matters requiring coordination or of possible relevance to the project.
44. The project team will ensure ongoing coordination and consult with other project teams, working groups, and consultation groups, as appropriate, to monitor developments that may be relevant to the project to revise ISRE 2410. In addition, the project team will seek advice from IAASB members, as appropriate, and undertake outreach with key stakeholders as part of project-specific outreach or the IAASB general outreach program.

## Appendix 1

### Information-Gathering Activities

This Appendix summarizes the information-gathering activities performed by the project team thus far to understand the issues related to ISRE 2410, and to inform the development of this issues paper and initial draft of the project proposal.

1. The primary information-gathering activities performed consisted of:
  - (a) Reading and analyzing stakeholder feedback received from prior consultations and activities,<sup>25</sup> including the Auditor Reporting Post-Implementation Review and the IAASB's Strategy and Work Plan consultations for 2022-2023 and 2024-2027.
  - (b) Targeted outreach activities with:
    - (i) Jurisdictional and National Auditing Standard Setters<sup>26</sup> (NSS), and
    - (ii) Representatives from the Forum of Firms.
2. Additionally, the project team considered relevant academic literature<sup>27</sup> shared by members of the International Association for Accounting Education and Research (IAAER), and other relevant materials issued by NSS members or professional accountancy organizations.
3. Information-gathering activities also included reading the most recent audit quality monitoring inspection reports from various jurisdictions,<sup>28</sup> from a range of organizations with responsibility for enforcement of auditing standards. The project team's review of inspection reports indicated that, while the interim review engagement is within the remit of the inspection body, the inspection is generally focused on the quality of the annual audit.

#### Review and Analysis of Stakeholder Feedback from Prior Consultations and Activities

4. The feedback from stakeholders was largely consistent in both Strategy and Work Plan consultations, including noting that ISRE 2410 is not in the clarity format and not aligned with the concepts in ISRE 2400 (Revised). Other matters noted included a need for further consideration of going concern

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<sup>25</sup> Feedback reviews included reviewing the analysis of feedback performed as appropriate by previous IAASB task forces and working groups as presented in prior IAASB board papers, and the minutes of prior board discussions about such feedback.

<sup>26</sup> The IAASB liaises with NSS from regions that share the common goals of promulgating high quality international and national standards, and promoting convergence of those standards, in the public interest. The IAASB's NSS group currently comprises standard setters in Australia, Austria, Brazil, Canada, China, France, Germany, Hong Kong SAR, India, Japan, Mexico, New Zealand, Nordic, Saudi Arabia, South Africa, The Netherlands, United Kingdom and United States of America.

<sup>27</sup> Kajüter, P., Lessenich, A., Nienhaus, M., & van Gemmern, F. (2022) Consequences of Interim Reporting: A Literature Review and Future Research Directions, *European Accounting Review*, 31:1, 209-239, <https://doi.org/10.1080/09638180.2021.1872398>

<sup>28</sup> The UK's Financial Reporting Council (FRC), the Australian Securities and Investments Commissions (ASIC), Financial Market Authority (FMA), the Independent Regulatory Board for Auditors (IRBA; South Africa); the Accounting and Corporate Regulatory Authority (Singapore), as well as the Annual Inspection Findings Survey produced by International Forum of Independent Audit Regulators.

and groups in the context of interim review engagements, as well as the need for improved alignment with relevant concepts in other recently issued IAASB standards.

5. Respondents to the consultation on the Strategy and Work Plan for 2024-2027 also noted the need to consider changes made to interim review standards in other jurisdictions (e.g., ISRE (UK) 2410<sup>29</sup>).

## **Targeted Outreach**

### *Jurisdictional and National Auditing Standard Setters (NSS): Request for Information*

6. During November 2024, the project team issued a Request for Information (RFI) to the IAASB-NSS liaison group<sup>30</sup> to gather information from each of their jurisdictions about:
  - (a) Interim financial reporting requirements and requirements for assurance over interim financial information.
  - (b) Utilization of ISRE 2410 or national equivalent standard and for what purpose.
  - (c) Jurisdictional modifications to ISRE 2410 and areas impacted.
  - (d) Challenges practitioners have in applying ISRE 2410 or a national equivalent standard in practice.
  - (e) Suggestions for areas of improvement or clarification to ISRE 2410.
  - (f) Regulatory inspections of audit firms' reviews of interim financial information performed under ISRE 2410 or national equivalent standard (including areas focused on, inspection findings and observations).
  - (g) Activities and developments relating to ISRE 2410 or national equivalent standard.
7. Responses were received from 12 members of the IAASB-NSS liaison group. Responses were summarized and then analyzed systematically to identify recurring themes and substantive topics. These have been incorporated into the description of issues in Part A of the paper. A short summary of the raw feedback is also provided below, in the section 'Summary of feedback from 2024 NSS RFI'.

### *Forum of Firms*

8. The project team met with members of the Forum of Firms on February 18, 2025, seeking their views on the completeness and accuracy of the issues identified, and to understand how firms had implemented ways to address challenges in practice.
9. Input received from the Forum of Firms further refined the development of the issues described in the body of this paper, and the development of proposed actions to be presented in the project proposal. Themes arising from the discussion indicated broad support for:
  - (a) Clarifying the objective of an interim review engagement, to support the proportionality of the work effort to the circumstances of these engagements.

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<sup>29</sup> ISRE (UK) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

<sup>30</sup> See the [About IAASB webpage](#) for information about NSS that form part of the IAASB-NSS liaison group.

- (b) Clarifying in ISRE 2410, the auditor's responsibilities when the auditor's first engagement following appointment is an interim review engagement rather than an audit, by considering the varying perspectives of stakeholders impacted by this situation. For example, clarifying whether an "audit-level of knowledge" is required (say, by obtaining an understanding of the entity, its environment and system of internal control more akin to that required under ISA 315 (Revised 2019)), or whether in the first period, the level of assurance obtained in a review engagement would be less than that in further periods, while still being a meaningful level of assurance.
- (c) Considering whether recent enhancements to the ISAs may be relevant for engagements performed under ISRE 2410, given the nature of entities commonly subject to these engagements, while retaining a focus on proportionality. Two areas in particular where questions arose were the interaction of ISAs relating to group engagements and to the auditor's responsibility in relation to fraud, for interim review engagements.
- (d) Improving the structure and content of the auditor's report on interim financial information, as this may contribute to addressing some of the perceived lack of clarity about the purpose of an interim review engagement, though specific revisions will require a careful balancing of needs, and the avoidance of potential miscommunication that may arise if requirements resulted in overly lengthy reports.

## Summary of Feedback from 2024 NSS RFI

### *Jurisdictional Modifications to ISRE 2410*

- 10. Feedback from the 2024 NSS RFI confirmed that various NSS who have adopted ISRE 2410 in their jurisdictions have moved ahead of the IAASB in updating their local versions of ISRE 2410 to address stakeholder expectations. Jurisdictional enhancements have tended to be piecemeal and narrow in scope to address specific concerns in the jurisdiction and have not been done in a consistent manner across jurisdictions.
- 11. As described in **Part A** of this paper, modifications to local versions of ISRE 2410 described by NSS respondents were performed to address issues or challenges relating to:
  - The format and content of the interim review report;<sup>31</sup>
  - Going concern;<sup>32</sup>
  - Quality management;<sup>33</sup>
  - Fraud and non-compliance with laws and regulations;<sup>34</sup>
  - Terms of the engagement;<sup>35</sup>

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<sup>31</sup> Australia, Japan, Netherlands, New Zealand, United Kingdom

<sup>32</sup> Australia, Japan, New Zealand, United Kingdom.

<sup>33</sup> New Zealand.

<sup>34</sup> Australia, Netherlands, New Zealand.

<sup>35</sup> Australia, Japan, New Zealand.



- Materiality;<sup>36</sup>
  - Comparative interim financial information.<sup>37</sup>
12. Other revisions described by respondents, as being made in response to their stakeholder needs, included clarifying definitions<sup>38</sup> and developing illustrative examples of engagement letters, written representation letters, modified and unmodified reports<sup>39</sup> and illustrative procedures that may be performed in a review engagement.<sup>40</sup>

*Reported Challenges with Applying ISRE 2410 and Suggested Areas for Improvement*

13. Based on the challenges identified with applying ISRE 2410, respondents suggested areas of focus or improvement for the IAASB project – which have been incorporated as appropriate into **Part A** of this paper:
- Clarify the scope and purpose of an engagement to review interim financial information performed by the independent auditor of the entity.
  - Align with the requirements of ISRE 2400 (Revised) unless special considerations for interim reviews apply.
  - Improve the distinction for users of the review report between the interim review engagement and the audit of the financial statements.
  - Address confusion and inconsistencies in practice about the auditor's responsibilities for going concern at the interim review engagement, including the extent of procedures required over management's assessment of going concern in an interim review engagement.
  - Clarify how and where the work effort for first-time appointment, where an audit has not yet been performed, differs from a recurring interim review engagement.
  - Clarify the application of materiality in a review engagement over interim financial information, considering that the primary users of the financial information are unlikely to change.
  - Consider clarifying requirements relating to group review engagements.

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<sup>36</sup> Australia, New Zealand.

<sup>37</sup> Australia, New Zealand, United Kingdom.

<sup>38</sup> Netherlands.

<sup>39</sup> Australia, New Zealand, Netherlands.

<sup>40</sup> Australia.

## Appendix 2

### Project Team and Sponsors

1. The Strategy and Work Plan for 2024-2027 identified this project as a candidate project to be worked on with assistance from NSS. Staff of the Australian and New Zealand standards setting boards are taking the lead on this project, with the oversight and support of IAASB staff, and the involvement of IAASB project board members.

### Project Team

2. IAASB staff:
  - Ana Espinal-Rae
  - Dan Montgomery
3. Staff of the Australian Auditing and Assurance Standards Board (AUASB) and the New Zealand External Reporting Board (XRB):
  - Rene Herman (AUASB)
  - Johanna Foyster (AUASB)
  - Misha Pieters (XRB)
  - Sharon Walker (XRB)

### Project Board Members

4. The IAASB Project Board Members are:
  - Robert Koethner
  - Wendy Stevens

### Activities in the Period

During the first quarter of 2025, the project team met virtually with project board members twice.