

### SELECTED DRAFTING — PROPOSED INTERNATIONAL STANDARD ON REVIEW ENGAGEMENTS (ISRE) 2410 (REVISED), REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY

This Agenda Item sets out preliminary drafting proposed by the Project Team for certain sections of proposed ISRE 2410 (Revised). Paragraphs taken from extant ISRE 2410 are shown in mark-up. Otherwise, the drafting is based on the wording from the identified source standards, modified as appropriate to reflect the circumstances of an interim review engagement. The yellow highlighted references in brackets indicate the relevant paragraphs from extant ISRE 2410, ISRE 2400 (Revised),<sup>1</sup> or other IAASB standards that were the source of the proposed wording.

The proposed drafting for the introduction, objectives, definitions and certain general requirements from the June 2025 IAASB meeting<sup>2</sup> **has been shaded grey as it is for reference only and will not be discussed at this meeting**. Previously marked-up changes from extant ISRE 2410 in these paragraphs are not shown. The Project Team has considered possible revisions to this material based on the Board's comments but has not reflected any changes in this document. The Project Team will present the first complete draft of proposed ISRE 2410 (Revised) to the Board in December 2025, which will include changes to the proposed drafting discussed in June and September.

Consistent with past IAASB projects, a mapping document will be prepared for the Board's reference at a later meeting, prior to the approval of the exposure draft, showing how the introduction, objectives, definitions and requirements in extant ISRE 2410 have been addressed in proposed ISRE 2410 (Revised).

## Introduction

### Scope of this Proposed ISRE

1. This proposed International Standard on Review Engagements (ISRE) deals with: (Ref: Para. A1)
  - (a) The auditor's responsibilities when engaged to perform a review of interim financial information of an audit client ("interim review engagement"), and
  - (b) The form and content of the auditor's review report on the interim financial information.

The term "auditor" is used in this proposed ISRE in the context of an interim review engagement, and not because the auditor is performing an audit.

[Extant paragraph 1 and first sentence of extant paragraph 3a]
2. This proposed ISRE is also to be applied, adapted as necessary in the circumstances, when an entity's auditor undertakes an engagement to review historical financial information other than interim financial information of an audit client. [Extant paragraph 3a]

<sup>1</sup> ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

<sup>2</sup> See Agenda Item 7 for the IAASB's [June 2025 meeting](#)

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

3. This proposed ISRE does not apply to an engagement to review interim financial information performed by a practitioner who is not the entity's auditor. Such engagements are performed in accordance with ISRE 2400 (Revised).<sup>3</sup> (Ref: Para. A2) [Extant paragraph 3, penultimate sentence]

*Relationship with Other Professional Pronouncements and Other Requirements*

4. This ISRE includes requirements and application material for all elements of an interim review engagement. Accordingly, the auditor is not required to apply any other IAASB engagement standards when performing the interim review engagement. [ISAE 5000, paragraph 11].
5. This ISRE is premised on the engagement partner being a member of a firm that applies ISQM 1,<sup>4</sup> or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQM 1. ISQM 1 applies to a firm's review engagements. The system of quality management and policies or procedures are the responsibility of the firm. [ISRE 2400 (Revised), paragraph 4, and sections in other assurance standards that address the premise of the engagement].
6. This ISRE also is premised on the auditor complying with 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, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. [Sections in other assurance standards that address the premise of the engagement].

**An Interim Review Engagement**

7. An interim review engagement is a limited assurance engagement, as described in the *International Framework for Assurance Engagements* (Assurance Framework).<sup>5</sup> [ISRE 2400 (Revised), paragraph 5]
8. In an interim review engagement, the auditor expresses a conclusion that is designed to enhance the degree of confidence of intended users about an entity's interim financial information, prepared by management in accordance with the applicable financial reporting framework. The auditor's conclusion is based on obtaining limited assurance. The auditor performs primarily inquiry and analytical procedures to obtain sufficient appropriate evidence as the basis for the limited assurance conclusion. (Ref: Para. A3-A7) [ISRE 2400 (Revised), paragraphs 6 and 7]
9. If the auditor becomes aware of a matter that causes the auditor to believe the interim financial information may be materially misstated, this proposed ISRE requires the auditor to design and perform additional procedures, as considered necessary in the circumstances, to be able to express

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

<sup>4</sup> 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*

<sup>5</sup> International Framework for Assurance Engagements, paragraphs 15 and 16

a limited assurance conclusion on the interim financial information in accordance with this proposed ISRE. [ISRE 2400 (Revised), paragraph 8]

#### *Difference from an Audit of Financial Statements*

10. A review of interim financial information differs significantly from an audit conducted in accordance with International Standards on Auditing (ISAs). A review of interim financial information does not provide a basis for expressing an opinion whether the financial information gives a true and fair view, or is presented fairly, in all material respects, in accordance with an applicable financial reporting framework. [Extant paragraph 8]
11. A review, in contrast to an audit, is not designed to obtain reasonable assurance that the interim financial information is free from material misstatement. Because the level of assurance obtained in a limited assurance engagement is substantially lower than in a reasonable assurance engagement, the procedures the practitioner will perform in a limited assurance engagement will vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. A review may bring significant matters affecting the interim financial information to the auditor's attention, but it does not provide all of the evidence that would be required in an audit. [Extant paragraph 9; penultimate sentence taken from ISSA 5000, paragraph 9]

#### **Effective Date**

12. This proposed ISRE is effective for reviews of interim financial information for periods beginning on or after [Date].

#### **Objectives**

13. 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, thereby enabling the auditor to express a conclusion about whether anything has come to the auditor's attention that causes the auditor to believe the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework; and
  - (b) To communicate as required by this proposed ISRE.

[First sentence of extant paragraph 7; ISRE 2400 (Revised), paragraph 14]

14. In all cases 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 proposed ISRE requires the auditor to disclaim a conclusion or withdraw from the engagement, where withdrawal is possible under applicable law or regulation. [ISRE 2400 (Revised), paragraph 15]

## Definitions

15. For purposes of this proposed 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. [ISRE 2400 (Revised), paragraph 17(a)]
- (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:

- (a) 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
- (b) 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 (a) or (b) above. [Adapted from definition in the Glossary]

- (c) *Inquiry*—Inquiry consists of seeking information of knowledgeable persons from within or outside the entity. [ISRE 2400 (Revised), paragraph 17(e)]
- (d) *Interim financial information*—Historical financial information that is prepared and presented in accordance with an applicable financial reporting framework, comprising either a complete or a condensed set of financial statements for a period or periods shorter than the entity’s financial year. [Extant paragraph 2]
- (e) *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 proposed 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. (Ref: Para. A14) [ISRE 2400 (Revised), paragraph 17(f), modified to be consistent with the Assurance Framework and other IAASB assurance standards.]

- (f) *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. [ISRE 2400 (Revised), paragraph 17(i)]
- (g) *Review procedures*—The procedures deemed necessary to meet the objective of a review engagement, primarily inquiries and analytical procedures. [Adapted from definition in the Glossary]

## Requirements

### Conduct of an Interim Review Engagement in Accordance with this Proposed ISRE

#### *Text of this Proposed ISRE*

- 16. The auditor shall have an understanding of the entire text of this proposed ISRE, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A8) [Extant paragraph 3, black letter; ISRE 2400 (Revised), paragraph 18]

#### *Complying with Relevant Requirements*

- 17. The auditor shall comply with each requirement of this proposed 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. [ISRE 2400 (Revised), paragraph 19]
- 18. The auditor shall not represent compliance with this proposed ISRE unless the auditor has complied with all the requirements of this proposed ISRE relevant to the interim review engagement. [Extant paragraph 3, black letter; ISRE 2400 (Revised), paragraph 20]
- 19. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in the 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. A9) [ISSA 5000, paragraph 23]

#### *Documentation of a Departure from a Relevant Requirement*

- 20. If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement in this proposed ISRE, the auditor shall document how the alternative procedures performed achieve the aim of that requirement, and the reasons for the departure. (Ref: Para. A10) [ISSA 5000, paragraph 24]

### **Relevant Ethical Requirements (Ref: Para. A11-A12)**

21. The auditor shall comply with relevant ethical requirements, including those related to independence. [Extant paragraph 4, black letter]

### **Professional Skepticism and Professional Judgment**

22. 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. A13–A16) [Extant paragraph 6, black letter; ISRE 2400 (Revised), paragraph 22]
23. The auditor shall exercise professional judgment in conducting the engagement. (Ref: Para. A17–A20) [ISRE 2400 (Revised), paragraph 23]

### **Engagement Level Quality Management**

24. 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; and (Ref: Para. A21-A23)
  - (b) The engagement being performed in accordance with the firm's quality management policies or procedures, including: (Ref: Para. A24-A26)
    - (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 25-32); (Ref: Para. A27-A30)
    - (ii) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available in a timely manner;
    - (iii) Determining that the engagement team collectively has the appropriate competence and capabilities, including having sufficient time, to perform the engagement; and
    - (iv) 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. A31-A32)
- [ISRE 2400 (Revised), paragraph 25(a) and (d)]

### **Acceptance and Continuance of the Interim Review Engagement**

*Factors Affecting Acceptance and Continuance of Client Relationships and Interim Review Engagements*  
(Ref: Para. A33-A35)

25. Unless required by law or regulation, the auditor shall only accept or continue an interim review engagement if:
- (a) The firm has been engaged to perform an audit of the entity's annual financial statements for the period covered by the interim review engagement; (Ref: Para. A35)

- (b) The auditor has no reason to believe that relevant ethical requirements, including those related to independence, will not be complied with;
- (c) Management or those charged with governance has not imposed 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.

[ISRE 2400 (Revised), paragraph 29]

26. 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 or continuing 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. [ISRE 2400 (Revised), paragraph 26]

*Preconditions for Accepting an Interim Review Engagement*

27. 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 appropriate in the circumstances; and (Ref: Para. A36-A39)
  - (b) Obtain the agreement of management that it acknowledges and understands its responsibility: (Ref: Para. A40-A42)
    - (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.

[ISRE 2400 (Revised), paragraph 30]

28. If the preconditions in paragraph 27 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 or continue 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. [ISRE 2400 (Revised), paragraph 31]

29. If it is discovered after the engagement has been accepted that 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.

[ISRE 2400 (Revised), paragraph 32]

*Additional Considerations When the Wording of the Auditor's Interim Review Report Is Prescribed by Law or Regulation (Ref: Para. A43)*

30. The auditor's report issued for the review engagement shall refer to this ISRE only if the report complies with the requirements of paragraph [XX]. [ISRE 2400 (Revised), paragraph 33]
31. If law or regulation prescribes the layout or wording of the auditor's interim review report that is different from the requirements 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 or continue 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.

[ISRE 2400 (Revised), paragraphs 34-35, modified with reference to ISSA 5000, paragraph 84]

*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 commencing the engagement. (Ref: Para. A44-A45, A50) [Extant paragraph 10, black letter; ISRE 2400 (Revised), paragraph 36]
34. The agreed terms of the engagement shall be specified in sufficient detail in an engagement letter or other suitable form of written agreement, written confirmation, or in law or regulation, and shall include: (Ref: Para. A45-A46, A50):
- (a) The objective and scope of the interim review engagement;
  - (b) 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 [27(b)]. (Ref: Para. A47)
- (d) The responsibilities of the auditor.
- (e) A reference to the expected form and content of the auditor's interim review report to be issued.
- (f) 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.

[Extant paragraph 11, grey letter; ISRE 2400 (Revised), paragraph 37]

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. A48) [ISRE 2400 (Revised), paragraph 38]

*Changing the Terms of the Interim Review Engagement* (Ref: Para: A49)

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.

[ISRE 2400 (Revised), paragraphs 39-41, with reference to ISSA 5000, paragraphs 87-88]

### **Communication with Management and Those Charged with Governance**

37. The auditor shall communicate with management or those charged with governance, as appropriate, on a timely basis during the interim review engagement, matters that, in the auditor's professional judgment, merit the attention of management or those charged with governance, as appropriate. (Ref: Para. A51) [ISRE 2400 (Revised), paragraph 42, with reference to ISSA 5000, paragraph 68]

### **Performing the Engagement**

#### *Materiality*

38. The auditor shall determine materiality for the interim financial information as a whole, and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures (Ref: Para. A52-A53) [Extant paragraph 15 (bullet point 4), grey letter; ISRE 2400 (Revised), paragraph 43]

39. If the auditor becomes aware of information during the interim review engagement that would have caused the auditor to have determined a different materiality initially, the auditor shall revise materiality for the interim financial information as a whole and determine the effect on the review procedures performed. (Ref. Para. A54) [ISRE 2400 (Revised), paragraph 44]

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

40. The auditor shall 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, to:
- (a) Identify areas in the interim financial information where material misstatements are likely to arise; and
  - (b) Thereby, provide a basis for designing and performing procedures to address those areas. (Ref: Para. A55-A60)

[Extant paragraphs 12 and 17, black letter, replaced by a single requirement based on ISRE 2400 (Revised), paragraph 45, which is consistent with the Assurance Framework, paragraph 80.]

*Designing and Performing Procedures*

41. In obtaining sufficient appropriate evidence as the basis for a conclusion on the interim financial information as a whole, the auditor shall design and perform inquiry, analytical and other review procedures to:
- (a) Focus on addressing areas in the interim financial information where material misstatements are likely to arise; and
  - (b) Address all material areas in the interim financial information, including disclosures.

[ISRE 2400 (Revised), paragraph 47]

[Note to the IAASB: additional requirements for the Designing and Performing Procedures section, along with related application material, will be developed and presented to the Board for discussion at the December meeting.]

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## Application and Other Explanatory Material

### Scope of this Proposed ISRE (Ref: Para. 1)

- A1. In performing a review of interim financial information, the auditor may be required to comply with legal or regulatory requirements, which may differ from the requirements established in this proposed ISRE. While the auditor may find aspects of this proposed ISRE helpful in these circumstances, it is the responsibility of the auditor to ensure compliance with all relevant legal, regulatory and professional obligations. [ISRE 2400 (Revised), paragraph A1]

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

- A2. ISRE 2410 applies to reviews of interim financial information performed by the entity's auditor. Through performing the audit of the 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 (sometimes referred to as an audit-level understanding). When the auditor is engaged to review the interim financial information, this understanding is updated through inquiries made in the course of the review, which assists the auditor in focusing the inquiries to be made and the analytical procedures and other review procedures to be applied. A practitioner who is not the auditor of the entity's annual financial statements does not ordinarily have this same audit-level understanding. Therefore, that practitioner is required to perform the review engagement in accordance with ISRE 2400 (Revised) and will need to perform different inquiries and procedures to meet the objective of that standard. [Extant paragraph 3]

### An Interim Review Engagement (Ref: Para. 8)

[See paragraph 13 of Agenda Item 7 for the sources of paragraphs A3-A7]

### Management's Responsibility for the Interim Financial Information

- A3. Management, with oversight from those charged with governance, is responsible for:
- (a) Preparing, and where relevant, the fair presentation of the interim financial information in accordance with an applicable financial reporting framework; and
  - (b) Establishing and maintaining effective internal control to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error.
- A4. An interim review engagement in accordance with this proposed 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. The review of the interim financial information by the entity's auditor does not relieve management or those charged with governance of their responsibilities.

### The Applicable Financial Reporting Framework

- A5. Local law or regulation, securities regulation, stock exchange rules, or jurisdictional standards may affect the financial reporting framework used to prepare the interim financial information, the period

for which it is prepared (e.g. quarterly or half-yearly), and whether the interim financial information is required to be reviewed, or possibly audited, by the independent auditor of the entity.

- A6. The applicable financial reporting framework for the preparation of interim financial information in a jurisdiction may, for example, encompass recognized financial reporting standards and may be supplemented by other requirements in law or regulation relating to interim financial reporting.
- A7. The requirements for preparing interim financial information may be different from those for a complete set of financial statements. Jurisdictions that require interim financial reporting ordinarily do not require complete sets of financial statements to be provided at interim dates. Due to considerations such as timeliness and cost, and to avoid repetition of information previously reported as part of the annual financial statements, an entity may be able to provide less information at interim dates as compared with its annual financial statements. Interim financial information typically provides an update on the latest complete set of annual financial statements, focusing on new activities, events, and circumstances, and does not duplicate information previously reported.

**Conduct of a Review Engagement in Accordance with this Proposed ISRE** (Ref: Para. 16-20)

- A8. This proposed ISRE does not override laws and regulations that govern a review of interim financial information. In the event that those laws and regulations differ from the requirements of this proposed ISRE, a review conducted only in accordance with laws and regulations will not automatically comply with this proposed ISRE. [ISRE 2400 (Revised), paragraph A13]

**Complying with Relevant Requirements** (Ref: Para. 17-19)

- A9. The requirements of this proposed 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. [ISSA 5000, paragraph A56]

**Documentation of a Departure from a Relevant Requirement** (Ref: Para. 20)

- A10. The engagement documentation requirements apply only to requirements that are relevant in the circumstances. A requirement is not relevant only when 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, and there is no such inability). [ISSA 5000, paragraph A57]

**Relevant Ethical Requirements** (Ref: Para. 21)

- A11. Relevant ethical requirements may include provisions that apply for both audit and review engagements. For example, the International Independence Standards in Part 4A of the IESBA Code apply to both audit and review engagements unless otherwise stated. The Code also sets out fundamental principles that establish the standard of behavior expected of a professional accountant. The fundamental principles are: 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. [ISRE 2400 (Revised), paragraph A14; ISSA 5000, paragraph A58]

A12. 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. [ISRE 2400 (Revised), paragraph A15]

### **Professional Skepticism and Professional Judgment**

*Professional Skepticism* (Ref: Para. 22) [ISRE 2400 (Revised), paragraphs A16-A19]

A13. Professional skepticism is necessary for the critical assessment of evidence in an interim review. This includes questioning inconsistencies and investigating contradictory evidence, and questioning the reliability of responses to inquiries and other information obtained from management and those charged with governance. It also includes consideration of the sufficiency and appropriateness of evidence obtained in the light of the engagement circumstances.

A14. Professional skepticism includes being alert to, for example:

- Evidence that is inconsistent with other evidence obtained.
- Information that calls into question the reliability of documents and responses to inquiries to be used as evidence.
- Conditions that may indicate possible fraud.
- Any other circumstances that suggest the need for additional procedures.

A15. Maintaining professional skepticism throughout the interim review is necessary if the auditor is 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 performed in the review, and evaluating the results thereof.

A16. 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 or allow the auditor to be satisfied with evidence that is inadequate for the purpose of the interim review engagement.

*Professional Judgment* (Ref: Para. 23) [ISRE 2400 (Revised), paragraphs A20-A24]

A17. Professional judgment is essential to the proper conduct of an interim review engagement.

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.
- 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.

A18. 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. 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.

A19. The exercise of professional judgment by the auditor is based on the facts and circumstances of the interim review engagement, including:

- Knowledge acquired from the preceding year's audit and interim reviews of prior interim period(s) in the current year, 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 require the exercise of management judgment.

A20. Professional judgment needs to be appropriately documented in accordance with the requirements of this proposed ISRE.

## Engagement Level Quality Management

*Managing and Achieving Quality on the Engagement* (Ref: Para. 24(a))

A21. Paragraph 24 requires the engagement partner to take overall responsibility for managing and achieving quality on the engagement. If the engagement partner assigns the design or performance of procedures, tasks or actions related to a requirement of this ISRE to other members of the engagement team to assist the engagement partner in complying with that requirement, the engagement partner shall continue 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. [New paragraph, with reference to ISSA 5000, paragraph 32]

A22. Taking responsibility for managing and achieving quality on the interim review engagement, may 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) Complying with the firm's quality management policies or procedures as applicable.
- (c) Issuing an interim review report that is appropriate in the circumstances.
- (d) The engagement team's ability to raise concerns without fear of reprisals.

[ISRE 2400 (Revised), paragraph A27]

A23. As explained in paragraph 1, interim review engagements in accordance with this ISRE are performed by the auditor of the entity's annual financial statements. For an audit of financial statements, ISA 220 (Revised)<sup>6</sup> provides requirements and application material related to quality management at the engagement level. Although that ISA is written for audits and does not apply to review engagements, it may provide guidance in relation to engagement-level quality management for an interim review engagement.

*Engagement Performed in Accordance with the Firm's Quality Management Policies or Procedures* (Ref: Para. 24(b))

A24. ISQM 1<sup>7</sup> deals with the firm's responsibilities to design, implement and operate a system of quality management for audit and review engagements. This responsibility includes designing and implementing policies or procedures to ensure the firm and its personnel fulfill their responsibilities in accordance with professional standards, and applicable legal and regulatory requirements, and that engagement reports issued by the firm are appropriate in the circumstances. [New paragraph]

A25. Within the context of the firm's system of quality management, the engagement team has a responsibility to: [ISRE 2400 (Revised), paragraph A26]

- (a) Implement the firm's policies or procedures applicable to the interim review engagement;
- (b) Determine whether to design and implement responses at the engagement level beyond those in the firm's policies or procedures, given the nature and circumstances of the interim review engagement; and [ISA 220, paragraph A7];
- (c) 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.

A26. Ordinarily, the engagement team may depend on the firm's system of quality management 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

<sup>6</sup> International Standard on Auditing (ISA) 220 (Revised), *Quality Management for an Audit of Financial Statements*

<sup>7</sup> ISQM 1, paragraph 1



- Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.

Firm Policies or Procedures for the Acceptance and Continuance of Interim Review Engagements (Ref: Para. 24(b)(i))

A27. 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 form part of, the terms agreed upon for the audit of the annual financial statements. See also paragraphs 33-35 of this ISRE. [New paragraph]

A28. 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; and
- 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.

[ISRE 2400 (Revised) paragraph A31]

A29. 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.<sup>8</sup> 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 40. [New paragraph]

A30. The auditor's consideration of acceptance and continuance of client relationships and interim review engagements, and relevant ethical requirements, including independence, occurs throughout the engagement, as conditions and changes in circumstances occur. [ISRE 2400 (Revised) paragraph A33, first sentence]

Engagement Quality Review for the Interim Review Engagement (Ref: Para. 24(b)(iv))

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<sup>8</sup> ISA 210, *Agreeing the Terms of Audit Engagements*, deals with matters (including preconditions) that are within the control of the entity and upon which it is necessary for the auditor and the entity's management to agree. See ISA 210, paragraphs 1 and 3.

- A31. ISQM 1<sup>9</sup> 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 2<sup>10</sup> deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.
- A32. 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.<sup>11</sup> Therefore, this ISRE requires that the interim review report not be dated until the completion of the engagement quality review.

**Acceptance and Continuance of Client Relationships and Interim Review Engagements** (Ref: Para. 25) [ISRE 2400 (Revised), paragraphs A34-A60]

*Factors Affecting Acceptance and Continuance of Client Relationships and Interim Review Engagements* (Ref: Para. 25)

- A33. A characteristic that is relevant when considering whether to accept or continue an interim review engagement is whether the engagement exhibits a rational purpose.<sup>12</sup> 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. [New paragraph based on the Assurance Framework, paragraph 22 and ISSA 5000, paragraph A207]
- A34. Examples of indications that an interim review engagement may not have a rational purpose may include:
- (a) There is a significant limitation on the scope of the auditor's work;
  - (b) The auditor suspects the engaging party intends to associate the auditor's name with the interim financial information in an inappropriate manner; or
  - (c) 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.

[ISRE 2400 (Revised), paragraph A35]

**Firm Engaged to Perform an Audit of the Entity's Annual Financial Statements** (Ref: Para. 25(a))

- A35. [Note to the IAASB: The Project Team will develop application material for the requirement in paragraph 25(a) for Board discussion at the December IAASB meeting.]

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<sup>9</sup> ISQM 1, paragraph 2

<sup>10</sup> ISQM 2, *Engagement Quality Reviews*

<sup>11</sup> ISQM 2, paragraph 27

<sup>12</sup> Assurance Framework, paragraph 22

*Preconditions for Accepting an Interim Review Engagement*

The Applicable Financial Reporting Framework (Ref: Para. 27(a))

A36. A condition for acceptance and continuance of an assurance engagement is that the criteria<sup>13</sup> are suitable and available to intended users.<sup>14</sup> For purposes of this ISRE, the requirements of the applicable financial reporting 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. Some financial reporting frameworks are fair presentation frameworks, while others are compliance frameworks. For purposes of this ISRE, 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. [ISRE 2400 (Revised), paragraph A39]

Acceptability of the applicable financial reporting framework

A37. In many cases, in the absence of any indications to the contrary, the auditor may presume that the applicable financial reporting framework is acceptable (for example, 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). [ISRE 2400 (Revised), paragraph A42]

A38. Factors that are relevant to the auditor's determination of the acceptability of the financial reporting framework to be applied in the preparation of the interim financial information include:

- The nature of the entity (for example, whether it is a business enterprise, a public sector entity or a not-for-profit organization).
- The purpose of the interim financial information (for example, 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 (for example, 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.

[ISRE 2400 (Revised), paragraph A43]

A39. If the financial reporting framework used to prepare the interim financial information is not acceptable in view of the purpose of the interim financial information and management will not agree to use of a financial reporting framework that is acceptable in the auditor's view, the auditor is required under this ISRE to decline the interim review engagement. [ISRE 2400 (Revised), paragraph A44]

Responsibilities of Management and Those Charged with Governance (Ref: Para. 27(b))

A40. Management, with oversight from those charged with governance, is responsible for:

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<sup>13</sup> Assurance Framework, paragraph 42

<sup>14</sup> Assurance Framework, paragraph 22(b)(ii)

- (a) Preparing and, where relevant, the fair presentation of the interim financial information in accordance with an applicable financial reporting framework; and
- (b) Establishing and maintaining effective internal control to enable the preparation of interim financial information that is free from material misstatement, whether due to fraud or error.

A41. [The Project Team proposes to move paragraph A3 of the Introduction (considered at the June 2025 IAASB meeting) here. If the Board agrees, paragraph A3 will be deleted.]

A42. This ISRE does not impose responsibilities on management and those charged with governance, nor does it override laws and regulations that govern their respective responsibilities. An interim review engagement in accordance with this proposed 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. [ISRE 2400 (Revised), paragraph A46 (last two sentences)]

*Additional Considerations When the Wording of the Auditor's Review Report Is Prescribed by Law or Regulation* (Ref: Para. 30–32)

A43. Law or regulation may prescribe the layout or wording of the auditor's review report in a form or in terms that are significantly different from the layout or wording required by this ISRE, which would ordinarily cause the auditor to decline the engagement were it possible to do so. In accordance with paragraph 18 of this ISRE, an interim review conducted in these situations does not comply with this ISRE and the auditor cannot represent compliance with this ISRE in the auditor's interim review report issued for the engagement. The auditor is nonetheless encouraged to apply this ISRE, including the reporting requirements, to the extent practicable. To prevent potential misunderstanding, the auditor may consider including a statement in the auditor's interim review report indicating that the interim review was not conducted in accordance with this ISRE. [ISRE 2400 (Revised), paragraph A50]

*Agreeing the Terms of Engagement* (Ref: Para. 33-35)

A44. As explained in paragraph A27 above, 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 a single engagement letter. However, in some jurisdictions, it may be necessary to treat the review of interim financial information as a separate engagement because the audit of the financial statements may be required by corporate or commercial law (i.e., statutory audits), 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 the appropriate circumstances. [New paragraph except the last sentence derived from extant, paragraph 11 grey letter (last sentence of hanging paragraph)]

*Engagement Letter or Other Form of Written Agreement* (Ref: Para. 34)

A45. Sending a written engagement letter prior to commencing the interim review engagement may help avoid misunderstandings with respect to the scope of the interim review engagement, between the

auditor and the entity's management or, as applicable, those charged with governance. [ISRE 2400 (Revised), paragraph A51]

#### Form and content of the engagement letter

A46. The form and content of the engagement letter may vary for each engagement. In addition to the matters required by this ISRE, 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.
- The fact that an interim review engagement will not satisfy any statutory or third-party requirements for an audit.
- The limitations of an interim review engagement, including a statement that the interim review engagement is not an audit, and that the auditor will not express an audit opinion on the interim financial information.
- The intended use and distribution of the interim financial information, and any restrictions on 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 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.

[ISRE 2400 (Revised), paragraph A52]

#### Responsibilities of management prescribed by law or regulation (Ref: Para. 34(c))

A47. 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 this ISRE. [ISRE 2400 (Revised), paragraph A53]

#### Recurring Engagements (Ref: Para. 35)

A48. The following factors 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:

- 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.

[ISRE 2400 (Revised), paragraph A55]

#### *Acceptance of a Change in the Terms of the Interim Review Engagement*

Request to Change the Terms of the Interim Review Engagement (Ref: Para. 36)

A49. 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. [ISRE 2400 (Revised), paragraph A57 and A58]

#### *Considerations Specific to Public Sector Entities*

A50. 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. [Extant Public Sector Perspective paragraph 1, modified with reference to ISA 210, paragraph A29]

#### **Communication with Management and Those Charged with Governance** (Ref: Para. 37)

A51. [Note to the IAASB: The Project Team will develop application material for the requirement in paragraph 37 for Board discussion at the December IAASB meeting.]

#### **Performing the Engagement**

*Materiality* (Ref: Para. 38)

A52. The auditor's determination of materiality is a matter of professional judgment and is made in the context of the applicable financial reporting framework as it relates to the interim financial information. 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;
- 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;

- Judgments about materiality are based on the interim financial information for the particular interim period under review. As may be explained in the applicable financial reporting framework, an overriding consideration is whether the interim financial information includes all information that may be relevant to the users to understand an entity's financial position and performance during the interim period; and
- Judgments about materiality are made taking into consideration that interim measurements may rely on estimates to a greater extent than measurements of annual financial information.

[ISRE 2400 (Revised), paragraph A68-A69, modified; ISSA 5000, paragraph A296]

A53. Ordinarily, the auditor may consider that it is appropriate to use the same benchmark to determine materiality for the interim review as applied in the audit of the entity's annual financial statements (e.g., a percentage of profit before tax from continuing operations). This benchmark is then ordinarily applied to the appropriate interim period amounts (e.g., quarterly or half-year) to determine materiality for the interim review engagement. However, if circumstances have changed since the previous annual audit, the auditor may need to consider whether a different benchmark may be more appropriate. For example, if the entity's operations are subject to cyclical variations, or if the financial results for the current interim period show a significant decrease or increase compared to the prior interim period, and the expected results for the current year, the auditor may determine materiality using a normalized figure for the period. [New paragraph]

#### Revising Materiality (Ref: Para. 39)

A54. The auditor's determination of materiality for the interim financial information as a whole may need to be revised during the engagement as a result of:

- 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).

[ISRE 2400 (Revised), paragraph A72]

#### *Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal control* (Ref: Para. 40)

A55. The auditor uses professional judgment to determine the extent of the understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control required to perform the review of the entity's interim financial information in accordance with this ISRE. The auditor's primary consideration is whether the understanding obtained is sufficient for the auditor to be able to identify areas in the interim financial information where material



misstatements are likely to arise, to inform the auditor's approach to designing and performing procedures to address those areas. The breadth and depth of the overall understanding that the auditor obtains is less than that possessed by management in managing the entity, and less than that required to perform an audit of the entity's annual financial statements. [ISRE 2400 (Revised), paragraphs A73 and A75]

- A56. Obtaining a sufficient understanding is a continual dynamic process of gathering, updating and analyzing information throughout the engagement. The auditor's understanding is obtained and applied on an iterative basis throughout the engagement, and is updated as changes in conditions and circumstances occur. The auditor's understanding includes knowledge obtained from prior engagements performed by the auditor in relation to the entity's annual financial statements and interim financial information. [ISRE 2400 (Revised), paragraph A74]
- A57. The procedures performed by the auditor to update the understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control ordinarily may 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 risks.
    - 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.
    - The results of management's assessment of the risk that the interim financial information may be materially misstated as a result of fraud.
    - Whether significant changes in 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 to which the interim financial information is agreed or reconciled.

[Extant paragraph 15 grey letter, with modifications based on various jurisdictional interim review standards]

- A58. An auditor who has performed the audit of the entity's annual financial statements for one or more annual periods would have acquired an understanding and 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.<sup>15</sup> Accordingly, in performing the interim review engagement, the auditor updates this understanding. The required understanding also includes a sufficient understanding of the entity's system of internal control as it relates to the preparation of interim financial information, which may differ from internal control related to the preparation of the annual financial statements. [Extant paragraph 13 (grey letter)]
- A59. This ISRE does not require the auditor to identify and assess the risks of material misstatement as is required when performing an audit engagement in accordance with the ISAs. However, the auditor's risk assessment procedures and other work performed for the most recent annual audit may inform the auditor's identification of areas in the interim financial information where material misstatements are likely to arise and thereby provide a basis for designing review procedures to address those areas. [New paragraph]

#### Considerations for First-Time Interim Review Engagements

- A60. If the interim review is the first engagement performed for a new client (i.e., the auditor has not yet audited the entity's annual financial statements), the auditor is still required by this ISRE to obtaining the understanding required by paragraph 40 as it relates to the preparation of both annual and interim financial information. Accordingly, the procedures to obtain the understanding in these circumstances may involve additional considerations such as 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 major issues (including the application of accounting principles or of auditing and reporting standards) discussed with management in connection with the initial appointment as the entity's auditor.
  - Obtaining an understanding, through inquiry, of the following components of the entity's system of internal control: the control environment, the entity's risk assessment process, the entity's

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<sup>15</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

process to monitor the system of internal control, and the information system and communication.

The nature and extent of the procedures needed to obtain the understanding for a first-time interim review engagement are a matter of professional judgment. However, the understanding needs to be sufficient for the auditor to be able to identify areas in the interim financial information where material misstatements are likely to arise, to inform the auditor's approach to designing and performing procedures to address those areas.

[New paragraph based partly on extant paragraph 17 (black letter) and the concepts in ISA 300.A24]

*Designing and Performing Procedures* (Ref: Para. 41)

[Note to the IAASB: application material for the Designing and Performing Procedures section will be developed and presented to the Board for discussion at the December meeting.]

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