Submitted by: Tawkelat Financing Company
Country: Kingdom of Saudi Arabia
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To:
International Auditing and Assurance Standards Board (IAASB)

Dear Members of the IAASB,

We appreciate the opportunity to provide our comments on the proposed revisions to International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements.

As a leasing company operating in the Kingdom of Saudi Arabia and regulated by the Saudi Central Bank (SAMA), we welcome the IAASB's efforts to enhance the quality, consistency, and transparency of interim financial information review engagements.

Interim financial reporting is particularly important for companies operating in the financial sector, as it provides regulators, investors, financing counterparties, and other stakeholders with timely information regarding financial performance, asset quality, liquidity position, and risk management practices.

We support the overall objective of the proposed revisions and would like to share the following comments based on our practical experience.

1. Clear Distinction Between a Review Engagement and an Audit

We support the IAASB's objective of clarifying the nature and scope of a review engagement and differentiating it from a full audit.

In the financial services sector, including leasing companies, interim financial information is frequently used by regulators and other stakeholders when assessing financial strength and risk exposure. As a result, there is a possibility that users may misunderstand the level of assurance provided by a review engagement.

We suggest that the revised standard and auditor's report place additional emphasis on clearly communicating that:

A review engagement provides limited assurance and is primarily based on inquiry and analytical procedures.
A review does not provide the same level of assurance as an audit.
Management and those charged with governance remain responsible for the preparation and accuracy of interim financial information.

Clear communication in this area would help manage users' expectations and enhance the usefulness of the auditor's report.

2. Consideration of IFRS 9 Expected Credit Losses and Leasing Industry Specific Matters

For leasing companies, interim financial reporting involves significant areas of judgement, particularly in relation to the application of IFRS 9 Financial Instruments.

The calculation of expected credit losses requires management judgement in areas including:

Probability of default and loss given default assumptions;
Forward-looking economic scenarios;
Customer credit risk migration;
Portfolio segmentation;
Recovery assumptions and collateral values;
Assessment of significant increases in credit risk.

These estimates may change significantly between reporting periods due to changes in economic conditions, customer payment behavior, and market developments.

We recommend that the revised ISRE 2410 include additional guidance on how auditors should approach the review of significant estimates and models during interim engagements, particularly where management applies complex methodologies and assumptions.

3. Interaction with Regulatory Requirements and Supervisory Reporting

As a regulated leasing company in Saudi Arabia, we prepare financial information within a regulatory environment that includes requirements issued by SAMA.

Interim financial information may be used alongside regulatory reports for monitoring purposes, including assessments relating to:

Asset quality;
Credit concentration;
Provisioning levels;
Capital adequacy considerations;
Liquidity and funding arrangements.

We encourage the IAASB to consider providing guidance on circumstances where interim financial information is subject to additional regulatory expectations. This would support consistent application of review procedures and enhance alignment between financial reporting and regulatory requirements.

4. Fraud Risk Considerations

We support the IAASB's intention to strengthen considerations relating to fraud and professional skepticism in review engagements.

From a leasing company perspective, areas that may require particular attention include:

Accuracy and completeness of lease income recognition;
Customer receivable balances;
Restructuring or modification of lease contracts;
Credit quality assessments;
Recovery estimates for impaired assets.

While we recognize that a review engagement is not designed to identify all fraud risks, we believe additional practical guidance would assist auditors in determining appropriate procedures when fraud indicators are identified during an interim review.

5. Going Concern Considerations

We support enhancing the focus on going concern matters within the revised standard.

For leasing companies, going concern assessments may be influenced by factors such as:

Access to funding sources;
Cost of financing;
Portfolio performance;
Customer default levels;
Regulatory requirements;
Economic conditions affecting customers and asset values.

We recommend including examples relevant to financial institutions and leasing entities to support consistent application of the requirements.

6. Auditor Reporting and Transparency

We support improving transparency within the review engagement report.

However, we believe the report should remain clear and practical for users who may not have extensive knowledge of assurance engagements.

The report should clearly explain:

The purpose and limitations of a review engagement;
The responsibilities of management and the auditor;
The nature of procedures performed;
Matters that may require users' attention.

A balanced approach would improve understanding without creating unnecessary complexity.

7. Implementation Considerations

We encourage the IAASB to allow sufficient time between issuance of the final standard and its effective date.

Implementation will require coordination between companies, auditors, regulators, and other stakeholders, including updates to:

Audit methodologies;
Internal reporting processes;
Governance communications;
Training programs.

Adequate implementation time will support consistent application of the revised requirements.

Conclusion

We appreciate the IAASB's efforts to enhance ISRE 2410 and believe that the proposed revisions represent a positive step toward improving confidence in interim financial reporting.

From the perspective of a Saudi regulated leasing company, we encourage the IAASB to continue considering the practical challenges faced by financial institutions, particularly in areas involving significant estimates, IFRS 9 application, regulatory expectations, and evolving economic conditions.

We appreciate the opportunity to contribute to this consultation and would be pleased to provide any further clarification if required.

Yours sincerely,

Tawkelat Financing Company
Kingdom of Saudi Arabia