Comments of the Auditing Standards Committee of the Auditing Section of the American Accounting Association on Proposed International Standard on Review Engagements 2410

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Note: The views expressed in this letter are those of the participating members of the Committee and do not reflect an official position of the American Accounting Association. The comments do not necessarily reflect the views of every member.

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SUMMARY: In May 2026, the International Auditing and Assurance Standards Board (IAASB) issued an exposure draft revising ISA 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements (IAASB 2026a). This comment letter summarizes the views of the participating members of the Auditing Standards Committee of the Auditing Section of the American Accounting Association.

Generative AI technology has not been used in the preparation of this manuscript.

I. INTRODUCTION

In May 2026, the International Auditing and Assurance Standards Board (IAASB or the Board) requested comments on its proposed International Standard on Auditing (ISA) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements* (IAASB 2026a). Overall, we support the Board's efforts to update the standard and believe that it is responsive to the public interest. However, we are concerned that the requirements related to going concern do not strike an appropriate balance between the work effort required and the context of a limited assurance engagement. We are particularly concerned that providing negative assurance regarding going concern may lead financial statement users to a greater level of confidence in an entity's ability to continue as a going concern than is warranted based on the procedures performed. Also, we are concerned that the required level of professional skepticism for an interim review engagement is unclear and inconsistent with a limited assurance engagement.

II. SPECIFIC OBSERVATIONS

Professional Skepticism

The proposed standard lacks clarity with respect to how the auditor is expected to exercise professional skepticism in the conduct of an interim review engagement. The proposal could be read to require auditors to exercise the same level of professional skepticism in the performance of a review engagement that they exercise when performing an audit. It is unclear how the auditor can do this in a limited assurance engagement that is based primarily on inquiry and analytical procedures.

The auditor is expected to exercise a high degree of professional skepticism in the performance of a financial statement audit. ISA 200 defines professional skepticism as "an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence" and requires the auditor to "plan and perform the audit with professional skepticism recognizing that circumstances may exist that cause the financial statement to be materially misstated" (IAASB 2026b, 103). Paragraph 21 of the proposed standard requires the auditor to "plan and perform the engagement with professional skepticism recognizing that circumstances may exist that cause the interim financial information to be materially misstated" (PCAOB 2026a, 10). Thus, the professional skepticism requirement included in the proposed ISA mirrors the ISA 200 language, implying that auditors should exercise the same level of professional skepticism in interim review engagements that they do in year-end audit engagements.

In an interim review engagement, the auditor can listen carefully for contradictory statements from management and evaluate whether explanations for unexpected fluctuations in analytical procedures are plausible – consistent with the guidance in the first paragraph of ¶A19 which requires the auditor to consider contradictory evidence. However, the second paragraph of ¶A19 suggests that the auditor should test the reliability of information used as evidence. One interpretation of this guidance could be perceived as a requirement for the auditor to perform audit procedures beyond inquiry and analytical procedures to test the reliability of information. Otherwise, it is unclear what the auditor is required to do to "test the reliability of information."

We agree that the auditor should exercise professional skepticism when performing an interim review engagement. The auditor should investigate further when management provides contradictory responses or implausible explanations. The auditor should also remain alert for possible misstatement due to fraud or error. However, the Board should clarify expectations. That is, it should be clear whether the exercise of professional skepticism in the context of an interim review requires the auditor to perform audit procedures (e.g., tests of controls, substantive testing) to test the reliability of information obtained, for example, to develop expectations for analytical procedures and to corroborate management's explanations for unexpected fluctuations.

Communications with Those Charged with Governance

Paragraph 38 of the proposed standard requires the auditor to communicate "significant matters that, in the auditor's professional judgment, merit the attention of management or those charged with governance" (IAASB 2026a, 13). The application material (¶ A62) lists several examples of matters the auditor might consider to be significant (e.g., identified or suspected fraud, noncompliance with laws and regulations, disagreements with management). Internal control deficiencies are missing from this list. ISA 265 requires the auditor to communicate significant deficiencies to those charged with governance "on a timely basis" (IAASB 2026b, 227). Therefore, we recommend that the Board add internal control deficiencies to the list of examples in ¶ A62 of the proposed standard.

Identifying Risks of Material Misstatement

In a financial statement audit, ISA 315 requires the auditor to perform risk assessment procedures (e.g., inquiry, inspection, observation, and analytical procedures) to obtain an understanding of the client, its environment, and its internal control (IAASB 2026b, 245). The objective of risk assessment procedures is to identify risks of material misstatement and design further audit procedures. The proposed standard (i.e., ¶ A72) makes it clear that the auditor is NOT required to identify or assess the risks of material misstatement in the performance of an interim review engagement. However, paragraph 43 requires the auditor to "obtain an understanding of the entity and its environment . . . and the entity's system of internal control" and to "identify areas in the interim financial information where material misstatements, whether due to fraud or error, are likely to arise" (IAASB 2026a, 14). It seems that to "identify areas where material misstatements are likely to arise" means the same thing as "identification of risks of material misstatement." Therefore, it is unclear what procedures the auditor is required to perform to identify areas of likely material misstatement. The Board should clarify whether the auditor is expected to identify these "areas of likely material misstatements" solely through management inquiry or if other procedures are either suggested or required.

Required Inquiries

Paragraph 45 of the proposed standard requires the auditor to inquire of management regarding various matters (e.g., whether the interim financial information has been prepared and presented in accordance with the applicable financial reporting framework, the results of management's assessment of the risk that the interim financial information may be materially misstated as a result of fraud) (IAASB 2026, 14). The auditor should also be required to inquire whether all general ledger accounts have been reconciled to the subsidiary ledgers.

Going Concern

Paragraph 63 of the proposed standard requires the auditor to perform further procedures after becoming aware of events or conditions that cast significant doubt about going concern. The required procedures appear to go beyond what would be required in the context of a limited assurance engagement (i.e., inquiry and analytical procedures). Paragraph A111 of the proposed standard requires the auditor to "corroborate the evidence obtained through inquiry" (IAASB 2026a, 56). It is unclear why corroboration is necessary in this context unless the auditor has identified contradictory information through other inquiries, analytical procedures, and other procedures performed as part of the engagement.

Paragraph 108 requires the auditor to include, in the review report, a statement that "nothing has come to the auditor's attention that a material uncertainty related to going concern exists in the interim period" (IAASB 2026a, 28). We are concerned that providing negative assurance about going concern, when the auditor has not performed an audit, could be misleading to users. Specifically, users may infer a higher level of assurance from these statements than is warranted based on the procedures performed by the auditor.

REFERENCES

IAASB. 2026a. Proposed International Standard on Review Engagements 2410 (Revised). May 2026. https://www.iaasb.org/publications/login/80272.

IAASB. 2026b. Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements. https://www.iaasb.org/publications/login/78226.