EXPOSURE DRAFT OF PROPOSED ISRE 2410 (REVISED), *REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY'S ANNUAL FINANCIAL STATEMENTS*

Response Form

Guide for Respondents

Comments are requested by **September 3, 2026**. *Note that requests for extensions of time cannot be accommodated due to the timeline for finalization of this proposed revised standard.*

This form is for providing comments on the Exposure Draft of proposed International Standard on Review Engagements™ (ISRE) 2410*, Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements* (ED-2410), in response to the questions set out in the Explanatory Memorandum (EM) to ED-2410. It also allows for respondent details, demographics and other comments to be provided. Use of this form will facilitate the IAASB's analysis of the responses.

You may respond to all questions or only those questions for which you have specific comments.

To assist our consideration and analysis of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Include any detailed comments below that, as indicated.
- When providing comments, respond directly to the questions and:
  - Provide the rationale for your answers. If you disagree with the proposals in ED-2410, please provide specific reasons for your disagreement and include specific suggestions for changes (including specific wording) that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view as support for the IAASB's proposals cannot always be inferred when not stated.
  - Be specific about the sections, headings or paragraphs in ED-2410 to which your responses relate.
  - Refrain from inserting tables or text boxes in your responses.

It is not necessary to include a cover letter containing a summary of your key issues. The response form provides the opportunity to include any other views you wish to place on the public record, should you choose to do so. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the web page for proposed ISRE 2410 (Revised) to upload the completed form.

Responses to IAASB's Request for Comments in the EM for ED-2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements

PART A: Respondent Details and Demographic information

Your organization's name (or your name if you are making a submission in your personal capacity)	Lalit Kumar
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Lalit Kumar
Name(s) of contact(s) for this submission (or leave blank if the same as above)	
E-mail address(es) of contact(s)	Lalitkumar3@gmail.com
Geographical profile that best represents your situation (i.e., the geographical perspective from which are you providing feedback on ED-2410). Select the most appropriate option.	Asia Pacific
	If "Other", please clarify
The stakeholder group to which you belong (i.e., the perspective from which are you providing feedback on ED-2410). Select the most appropriate option.	Other (if none of the groups above apply to you)
	Chartered Accountant in public practice (individual respondent)
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	Chartered Accountant in public practice in India, with experience in audits of financial statements, reviews of interim financial information, audit quality, professional standards, risk management, design and implementation of Systems of Quality Management and application of Code of Ethics in professional practice at the Firm.

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional**. The IAASB's preference is that you incorporate all your views in your comments to the questions (also, Question 16 in Part B allows for raising any other matters in relation to ED-2410).

Information, if any, not already included in responding to the questions in Part B:

These comments are submitted solely in my personal professional capacity. They reflect my own analysis, including views that I had previously contributed during professional consultations on this Exposure Draft. Some themes may therefore also be reflected in other submissions arising from that consultation process. They do not represent the views of any firm, professional body, study group or other organisation.

PART B: Responses to Questions in the EM for ED-2410

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Impact

1.	Do you agree that ED-2410 is **responsive to the public interest**, considering the qualitative standard-setting characteristics and the standard-setting actions in the project proposal? (*See Section I-A and the Appendix in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

It appears to me that a comprehensive revision of ISRE 2410 is timely and serves a genuine public-interest purpose. Interim financial information is an important part of the annual reporting cycle, and a modern standalone standard should assist consistent performance and reporting. I broadly support the proposed strengthening of engagement-level quality management, acceptance and continuance, going concern, fraud and NOCLAR, other information, evidence evaluation and reporting.

There are, however, two matters that may prevent the project from fully achieving that objective. First, the interaction of paragraphs 43 and 44 may cause the engagement to be organised in the same manner as an audit risk-response exercise. Secondly, the present form of the unmodified conclusion may not convey to an ordinary user how different the underlying work is from an audit. These concerns are explained more fully in the responses to Questions 2 to 8 and Questions 14 and 15.

It may also be useful for the final Standard to set out a more operational sequence for dealing with information that indicates possible fraud or NOCLAR. Paragraphs 52 to 57 provide the right orientation, but the point at which an indicator becomes a suspected matter, and the point at which paragraph 70 is engaged, could be made more explicit. This is addressed in the response to Question 11.

2.	Do you agree that ED-2410 strikes **an appropriate balance** between the work effort required to express a limited assurance conclusion on the interim review engagement, and more robust requirements in the public interest in certain areas (e.g., going concern, fraud and non-compliance with laws and regulations)? You are invited to include as part of your response insights on **the implications or effects** of implementing the proposed standard.

Overall response: **Agree, with comments below**

Detailed comments (if any):

The overall direction is supportable, although it appears to me that the intended balance may not be achieved by the present sequencing of the work effort. Paragraphs 43 and 44 begin with identifying areas in which material misstatements are likely to arise and then require review procedures to be focused on those areas. Even with the explanation that an ISA 315 risk assessment is not required, that structure may lead teams, reviewers and inspectors to expect an audit-style matrix of risks and responsive procedures.

Why interim reviews may drift into mini-audits

The form of the assurance conclusion contributes to the same effect. When the engagement is framed around whether the interim financial information is materially misstated, an engagement team may feel obliged to obtain comfort resembling that obtained in an audit. The team may consequently seek corroboration for most management explanations or perform substantive work across each area considered material, although the intended starting point is inquiry and analytical review. The issue is not that the Standard expressly requires a full audit approach; rather, the combined effect of the objective, work-flow and conclusion may encourage one.

Perhaps the work effort could be expressed through the following sequence:

1. The auditor brings forward the knowledge obtained from the audit of the immediately preceding annual financial statements and earlier interim reviews.
2. That knowledge is updated for developments in the business, governance, financial reporting process, systems, controls, accounting policies, estimates and significant transactions.
3. The auditor develops expectations and performs analytical procedures, including comparisons between the current quarter and relevant preceding and corresponding periods, cumulative year-to-date information, the latest audited statement of financial position, budgets or forecasts and relevant non-financial data.
4. The core inquiries prescribed by the Standard are performed, together with focused inquiries arising from unexpected movements, unusual relationships, new transactions, disclosures or other current-period developments.
5. Management responses are evaluated in the light of the auditor's accumulated knowledge and all other information obtained during the review.
6. Further evidence-gathering procedures are undertaken when a response is incomplete or inconsistent, when a matter is inherently complex, or when another circumstance warrants investigation.

Under this approach, a procedure resembling an audit procedure may be necessary for a particular matter. It would not follow that every other area of the interim financial information must then be subjected to audit work. The work should expand beyond the original matter only when the information obtained indicates wider, systemic or pervasive implications.

A similar proportionality issue arises for fraud and NOCLAR. The Standard should avoid both extremes: accepting a preliminary explanation where the circumstances call for further inquiry, and treating every allegation or anomaly as requiring an immediate audit or forensic investigation of the interim financial information as a whole.

Professional Skepticism and Professional Judgment

3.	Does ED-2410 appropriately address the foundational concepts of professional skepticism and professional judgment, and the importance of applying these concepts throughout the interim review engagement? If not, what more might be needed in this regard? *(See Section I-B, paragraph 22(a) in the EM)*

Overall response: **Yes, with comments below**

Detailed comments (if any):

The proposed requirements appropriately recognise that professional skepticism and professional judgment apply throughout an interim review. It may nevertheless be helpful to describe more directly how those concepts operate in an engagement in which inquiry and analytical procedures provide much of the evidence.

Professional skepticism in this setting should not be measured by the volume of audit-like testing performed. It is more usefully demonstrated by forming informed expectations, identifying relationships that do not fit those expectations, asking the right questions, considering evidence that points in a different direction, and deciding whether a management explanation can reasonably be accepted without further work.

Although management responses need not ordinarily be corroborated by inspection of records, the auditor should consider whether a response is coherent, sufficiently specific and compatible with the auditor's prior knowledge and other current-period information. Where those conditions are not met, or where the nature of the matter independently warrants investigation, further procedures should follow.

For fraud and NOCLAR, the application material could also distinguish between an initial indicator and a reasonable basis for suspicion. Skepticism should require an indicator to be evaluated; it should not require every unverified allegation to be treated at once as established fraud or non-compliance.

Fundamental Principles of an Interim Review Engagement

4. Does the Introduction section of ED-2410 provide a clear description of the nature and purpose of an interim review engagement, and how it differs from an audit of financial statements, to provide foundational context for the work effort needed to achieve the objective of the engagement?

   (See Section I-B in the EM)

Overall response: **Yes, with comments below**

Detailed comments (if any):

The Introduction explains the theoretical distinction between limited assurance and reasonable assurance. It appears to me, however, that the practical distinction may still be obscured by the operating requirements and the wording of the report.

A reader who does not know how an interim review is performed may understand the phrase "nothing has come to our attention" as an audit opinion put into negative form. The reader may not appreciate that the evidence ordinarily arises mainly from analytics and inquiry, and that an explanation may be accepted without the corroboration that would commonly be expected in an audit.

Illustration - employee benefit expense

Suppose employee benefit expense changes significantly from the preceding quarter and from the corresponding quarter in the prior year. The auditor asks management to explain the movement. The response appears plausible when considered with the auditor's knowledge of the entity, and no contrary information is identified. The auditor is not ordinarily required in a review to inspect payroll records, bonus calculations, capitalisation schedules or the supporting journal entries.

Illustration 2: the misstatement engineered to look ordinary (borrowings and finance cost)

Let us consider another example. Take a company whose borrowings and finance cost for the interim period land almost exactly where the auditor’s expectation, built from the annual audit, says they should – a modest reduction consistent with a scheduled repayment. Because the figures agree with the auditor’s expectation, the auditor’s analytics reveal nothing, and no inquiry is prompted. Nothing has “come to the auditor’s attention”.

The reality is the reverse of what the numbers imply. The scheduled lender was repaid not from operating cash flows but from an undisclosed related-party borrowing taken just before period-end; the new liability has been buried by setting it off against an intra-group receivable, and the interest on it has been suppressed by dressing it up as a capital contribution. The net movement in borrowings and finance cost is therefore precisely what a healthy, deleveraging business would show – which is exactly why it draws no scrutiny. The manipulation is invisible not because the auditor declined to investigate an unusual movement, but because there is no unusual movement to investigate. The figures were engineered to match the auditor's expectation.

The situation in Illustration 2 is unsettling, because the limitation hits a step earlier than auditors usually assume. In an analytics and inquiry-led engagement, the trigger for further work is departure from expectation. Where a material misstatement – including a fraudulent one – is deliberately constructed to conform to expectation, the very mechanism that drives a review may never engage at all. The auditor can satisfy every requirement of the standard and remain wholly unaware of the misstatement. Again, this is not a defect to be cured by more procedures; it is the defining characteristic of limited assurance.

A material misstatement arising from error or fraud could nevertheless remain in the interim financial information. The auditor may have complied with the Standard because the inquiry did not produce a matter that crossed the paragraph 70 threshold. This is an inherent feature of limited assurance. The more important communication question is therefore whether the conclusion tells users what the review work actually established.

It may be clearer to anchor the unmodified conclusion to the outcome of the review process. One possible formulation is:

> *Based on the review work performed, no matter remained unresolved that, in the auditor's judgment, called for a material adjustment to, or disclosure in, the [interim] financial information.*

Another way to formulate the outcome of a limited review engagement could be as follows:

> *The procedures performed did not identify any unresolved matter requiring a material adjustment to, or disclosure in, the [interim] financial information.*

This would remain a limited assurance conclusion on the interim financial information. It would not remove the requirements to obtain sufficient appropriate evidence, to consider the financial reporting framework, or to use qualified, adverse and disclaimer conclusions where appropriate. It would, however, reduce the risk that the report is read as an audit opinion expressed in reverse grammar.

The distinction from an audit should also address situations in which a specific matter requires procedures of the kind normally used in an audit. The matter may require audit-level procedures, but that does not change the character of the entire engagement.

5.	Is ED-2410 sufficiently clear that while the auditor performs primarily inquiries and analytical procedures, *all procedures* performed for the purpose of achieving the overall objective of the interim review engagement are "review procedures"? If not, what suggestions do you have to make this clearer? *(See Section I-F, paras. 44-47 in the EM)*

Overall response: **Yes, with comments below**

Detailed comments (if any):

It is useful to state that review procedures are not confined to inquiry and analytical procedures. In a particular circumstance the auditor may need to inspect a document, recalculate an amount, obtain external evidence or involve a specialist.

At the same time, it appears important to separate three layers of work:

1. The ordinary foundation of the review - analytical procedures and the mandatory and targeted inquiries relevant to the period.

2. Other procedures expressly required by ISRE 2410, such as reading minutes or reconciling the interim information to the accounting records.

3. Additional procedures undertaken because a particular matter has not been resolved through the initial work or otherwise warrants investigation.

Without that distinction, a largely audit-based work programme could be described as "review procedures" merely because it was performed during the review.

Illustration - a new complex derivative

An entity may enter into a significant derivative transaction that is outside its usual activities and has not previously been processed through its financial reporting controls. Inquiry alone may not be enough. The auditor may need to read the contract, assess classification and measurement, consider hedge-accounting implications and use a valuation specialist. Those steps may look similar to audit procedures, but they address a defined matter and do not require audit procedures to be applied routinely to all other balances and disclosures.

The same principle is relevant when fraud or NOCLAR is suspected. The initial work should be directed to the matter and its possible effects. It should be widened where senior management involvement, control override, unreliable representations or other evidence suggests that the matter is not isolated.

Approaching an Interim Review Engagement in Accordance with ED-2410

6.	Is it sufficiently clear that, for recurring engagements, the auditor leverages the knowledge and understanding obtained from previous annual audits and interim review engagements for the entity? If not, what suggestions do you have to make this clearer? *(See Section I-B and Section I-F, paragraphs 44-52 in the EM)*

Overall response: **<u>Yes, with comments below</u>**

Detailed comments (if any):

The Exposure Draft recognises the use of knowledge from earlier audits and reviews, but perhaps this feature should be given greater prominence. It is the completed annual audit - rather than merely the professional designation of the practitioner as auditor - that gives an ISRE 2410 engagement its distinctive foundation.

Through that audit, the auditor has obtained direct experience of the entity's operations, governance, financial reporting process, internal control, estimates, judgments, prior misstatements, fraud risks and the reliability of information and explanations supplied by management. That accumulated knowledge allows the auditor to form meaningful expectations and to judge whether current-period explanations fit the entity's circumstances.

The knowledge should therefore be used principally to shape expectations, analytics and inquiries. It should not operate only as the first step in constructing a fresh audit-style inventory of likely material misstatements.

One possible revision to paragraph 43 would be:

> *The auditor shall bring forward and update the understanding developed in the audit of the immediately preceding annual financial statements and in any earlier interim review engagements. The updated understanding shall inform the auditor's expectations concerning the amounts, movements, relationships, transactions and disclosures in the interim financial information, and the nature and focus of the analytical procedures and inquiries to be performed.*

7.	Do you agree with the considerations that apply when the review of interim financial information is the first engagement performed for the audit client? If not, what suggestions do you have for additional considerations related to first-time interim review engagements? *(See Section I-F, paras. 48-52 in the EM)*

Overall response: **Disagree, with comments below**

Detailed comments (if any):

It appears to me that the proposed treatment of first-time engagements does not preserve the premise on which ISRE 2410 is built. The Standard should be available only where the firm performing the review audited the entity's latest annual financial statements.

Client acceptance work, discussions with management, access to predecessor documentation and preliminary audit planning can provide useful information. They are not equivalent to the experience acquired by completing the annual audit. A newly appointed auditor or the audit firm has not yet evaluated the financial reporting process, tested controls where relevant, performed substantive procedures, assessed management estimates and judgments, or reached an audit opinion on the most recent annual financial statements.

If the incoming auditor performs only the usual review work, the engagement lacks the tested foundation on which reliance on analytics and inquiry is based. If the incoming auditor performs sufficient audit work to recreate that foundation before the first interim report, the engagement may cease to have the proportionality expected of an interim review.

Accordingly, an engagement before completion of the first annual audit should fall outside ISRE 2410. Depending on the legal and reporting circumstances, it could be undertaken under ISRE 2400 (Revised), a jurisdictional requirement or another suitable framework. The need to accommodate a newly appointed auditor should not dilute the core premise of ISRE 2410.

The condition should apply at firm level; the same individual engagement partner need not have signed the latest annual audit report. Equally, an outgoing firm that audited the latest annual financial statements may still possess the necessary foundation during an appropriately managed transition.

A possible amendment to paragraph 1 is:

> *This ISRE deals with a review of interim financial information performed by the independent auditor whose firm audited the entity's immediately preceding annual financial statements, and with the form and content of the report on that review.*

Materiality

8.	Do you agree with the requirement for the auditor to determine materiality for the interim review engagement, and the related application material that describes the relevant principles that apply? If not, what would you suggest? *(See Section I-F, paragraphs 41-43 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

A formal quantitative materiality amount appears useful, provided its purpose in a review is carefully distinguished from its purpose in an audit. Materiality should assist the auditor in directing attention and evaluating the significance of matters that are identified; it should not automatically generate sample sizes or a programme of substantive verification.

It may therefore be appropriate to use materiality, together with qualitative considerations, to focus analytical procedures and inquiries, to decide whether an identified matter needs deeper investigation, to evaluate misstatements that come to attention, and to determine communication and reporting consequences.

No separate concept equivalent to audit performance materiality appears necessary. Nor should the materiality amount prescribe sampling or other audit-testing consequences.

Interim information often contains several linked reporting periods. A current quarter may be derived by subtracting an earlier year-to-date amount from the current year-to-date amount; the same package may also contain a current statement of financial position compared with the last audited year end. It may therefore be necessary to permit more than one quantitative reference amount for the discrete period, the cumulative period and the statement of financial position.

For corresponding and comparative periods, the amount used when that information was originally issued would ordinarily remain the relevant reference point, unless the comparative information is restated, new information emerges or the earlier determination is no longer appropriate.

Qualitative factors should remain capable of overriding the numerical amount. Fraud, NOCLAR, related parties, covenant compliance, management remuneration targets, regulatory ratios, a change from profit to loss or indications of management bias may require inquiry or escalation irrespective of size. In the same way, whether suspected fraud is "clearly inconsequential" should not be decided solely by its monetary value.

I support retaining a clearly trivial threshold and the accumulation and evaluation of identified misstatements. Those requirements impose discipline on matters actually found; they do not imply that the auditor was required to search for every misstatement.

Possible revision to paragraph 41

> *The auditor shall determine materiality for the interim financial information and, where the different statements or periods presented make this necessary, additional quantitative reference amounts. Materiality, together with qualitative*

considerations, shall be used to focus analytical procedures and inquiries, to evaluate matters identified, to determine whether further investigation is required, to assess identified misstatements and to determine appropriate communication and reporting consequences. Materiality determined for an interim review is not performance materiality and does not, of itself, determine audit sample sizes or other audit-testing consequences.

Group Interim Review Engagements

9.	Overall, do you agree that ED-2410 is capable of being applied for the review of interim financial information of groups? If not, please explain your reasons, and provide suggestions for additional requirements or application material that might be needed. *(See Section I-F, paragraphs 37-40 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

ED-2410 appears capable of being applied to group interim financial information, subject to the same foundational condition that applies to a single entity: the firm acting as group auditor should have audited the latest annual group financial statements.

The annual group audit gives the group auditor knowledge of the consolidation process, the components, component management, relevant component auditors, prior misstatements, consolidation adjustments and matters requiring group-level judgment. That knowledge should be updated for the interim period and used to determine where component involvement is useful.

As a general proposition, work at a component should be performed by the auditor that audited the component's latest annual financial information, or by the auditor or engagement team that performed the relevant component work in the most recent group audit. This accommodates components that do not have a separate statutory audit.

Component involvement should arise from current-period developments, analytical anomalies, significant component-specific transactions, changes in management, systems or controls, and matters carried forward from the annual group audit. It should not be driven by annual-audit coverage targets.

10.	Are the requirements in ED-2410 that address specific considerations related to group interim review engagements appropriate? If not, please explain your reasons, and provide suggestions for additional requirements or application material that might be needed. *(See Section I-F, paragraphs 37-40 in the EM)*

Overall response: **Yes, with comments below**

Detailed comments (if any):

The proposed group provisions provide a useful starting point. It appears to me that more application material would be needed to make them operational without importing the full scoping model of ISA 600.

Determining component involvement

The group auditor should consider current-period changes, unexpected group or component relationships, significant transactions, control or system changes, unresolved annual-audit matters and information obtained through group-level inquiries. Size may be relevant, but it should not become a substitute for the limited-assurance objective or lead to percentage-coverage targets.

Direction, communication and evaluation

There may be merit in adapting the relevant mechanics of ISA 600 concerning direction, two-way communication, supervision, review and evaluation of component-auditor work. Wholesale compliance with ISA 600 would be inappropriate because it is an audit standard. The group auditor should first determine what would have been required if the group auditor had performed the review work directly, and then communicate that work clearly to the component auditor.

Minimum instructions could address the purpose and limited-assurance nature of the engagement, relevant ethical requirements, current-period developments, materiality or reporting thresholds, required analytics and inquiries, circumstances requiring further procedures, identified misstatements, unresolved matters, fraud and NOCLAR, and the form and timing of the component auditor's report to the group auditor.

Independence

All component auditors participating in the group review should achieve an equivalent independence outcome appropriate to an audit or review of the group, whether or not they are network firms. The IESBA Code should make the group engagement partner's responsibility and the information to be obtained from non-network component auditors clear.

Consolidation process

Basic agreement or reconciliation of the group interim financial information to the consolidation schedules should remain mandatory. The extent of work on significant consolidation entries and adjustments should then be informed by the annual group audit knowledge, current-period changes and matters identified during the review, rather than by an automatic requirement to retest every significant entry.

Fraud and NOCLAR at components

Component instructions should require prompt communication of allegations, indicators, suspected or identified fraud or NOCLAR, the persons potentially involved, the entity's response and the components of the interim information that may be affected. The group auditor should determine whether the matter remains component-specific or has implications elsewhere in the group and in the annual group audit.

Fraud and Non-Compliance with Laws and Regulations (NOCLAR)

11.	Do you agree that the work effort requirements related to fraud and NOCLAR are appropriate and proportionate to the circumstances of an interim review engagement, recognizing that the engagement is performed by the auditor of the entity's annual financial statements and has responsibilities related to fraud and NOCLAR in the context of that engagement? If not, please explain your reasons, and provide suggestions for the auditor's approach to fraud and NOCLAR in an interim review engagement. *(See Section I-F, paras. 54-56 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

The proposed inquiries and the requirement to remain alert are appropriate starting points. It appears to me, however, that the Standard would benefit from a clearer description of what happens after information suggesting possible fraud or NOCLAR comes to the auditor's attention.

A staged response may be clearer

The present wording does not distinctly separate three stages. The first is an indicator - for example, a whistle-blower allegation, an unusual journal entry, inconsistent documentation, a regulatory notice or an explanation that does not fit other information. At that stage the auditor may not yet have a reasonable basis to describe the matter as suspected fraud or suspected NOCLAR. The second stage is reached when focused preliminary work provides such a basis. The third stage arises when the information gives the auditor reason to consider that a material misstatement of the interim financial information may exist, bringing paragraph 70 into operation.

Making this progression explicit would help avoid two inconsistent practices. One engagement team may accept a preliminary management response and conclude that no suspected matter exists. Another may treat every initial indicator as requiring a complete audit or forensic investigation. A proportionate review needs a clear intermediate step.

Relationship with ISA 240, ISA 250 and the annual audit

The existence of an indicator should not, by itself, make the entire interim review an audit. The relevant principles in ISA 240 (Revised) or ISA 250 (Revised) may nevertheless be highly useful in determining the nature and depth of procedures on the particular matter. Where the same firm audits the annual financial statements, the matter should also be brought promptly into the annual-audit workstream. The response under ISRE 2410 would remain directed to the interim financial information; the response in the annual audit would be governed by the applicable ISAs.

It may be helpful to state the point directly: a matter identified in an interim review may require audit-level investigation, but the interim review does not thereby become an audit.

How far should the additional work extend?

Further procedures should ordinarily begin with the identified matter, the transactions or balances potentially affected, the relevant periods and the persons involved. The scope should widen where the information suggests senior-management involvement, deliberate override of controls, repeated conduct, unreliability of management representations, effects across locations or components, or other systemic or pervasive consequences.

Paragraph 55 presently addresses wider implications only when a misstatement due to fraud has already been identified. That may be too late. Suspected management fraud, falsified records or serious control override can undermine the reliability of information and representations before a specific financial-statement misstatement has been established.

Clearly inconsequential fraud

The exception for fraud or suspected fraud that is "clearly inconsequential" should include a qualitative safeguard. A small amount may still be significant if management or those charged with governance are involved, if an employee with an important control role is involved, if records have been falsified, or if the conduct indicates a repeated practice or legal and regulatory consequences.

NOCLAR and financial reporting consequences

For NOCLAR, it may be useful to distinguish laws and regulations having a direct effect on reported amounts and disclosures from those whose effect is indirect, such as through penalties, litigation, loss of a licence, interruption of operations or reputational consequences. The link from paragraph 56 to paragraph 70 should be as explicit as the link presently explained for fraud in paragraph A99.

The threshold for an ethical or legal response is not necessarily the same as financial-statement materiality. A matter may require consultation, communication or reporting under the IESBA Code or applicable law even if no material misstatement of the interim financial information has been established.

Possible reporting outcomes

Where the matter affects the interim financial information, management may need to adjust an amount or add disclosure. If the disclosure is adequate and the matter is fundamental to users, an Emphasis of Matter paragraph may be appropriate. It should not be used as a substitute for correction, adequate disclosure, a modified conclusion, a disclaimer caused by insufficient evidence, or any ethical or legal reporting responsibility.

Suggested changes to the requirements

One possible drafting approach is set out below. The paragraph numbers are illustrative and consequential renumbering would be required.

Paragraph 52 - inquiries

> *The auditor shall inquire of management and, where appropriate, those charged with governance and other persons within the entity whether they have knowledge of: (a) fraud, suspected fraud or allegations of fraud that may affect the interim financial information; and (b) identified or suspected non-compliance with laws and regulations that may affect the interim financial information.*

Paragraph 53 - continuing alertness

Throughout the interim review engagement, the auditor shall remain alert for information that may indicate fraud, suspected fraud, non-compliance or suspected non-compliance with laws and regulations.

New paragraph 53A - evaluating an indicator

If information comes to the auditor's attention that indicates the possibility of fraud or non-compliance with laws and regulations, the auditor shall evaluate the relevance and reliability of that information and perform focused inquiries and such other procedures as are necessary in the circumstances to determine whether there is a reasonable basis to suspect fraud or non-compliance.

Paragraph 54 - fraud or suspected fraud

If the auditor becomes aware of fraud or suspected fraud, the auditor shall: (a) obtain an understanding of the nature and circumstances of the matter, the persons or functions that may be involved, the periods and parts of the interim financial information that may be affected, the entity's investigation process and remedial action; (b) unless the matter is clearly inconsequential, perform further inquiries and other procedures necessary to evaluate whether it may have a material effect on the interim financial information; and (c) apply paragraph 70 when that evaluation indicates that a material misstatement of the interim financial information may exist.

Paragraph 55 - wider implications of fraud

If fraud or suspected fraud is not clearly inconsequential, the auditor shall evaluate: (a) the reliability of information obtained, responses to inquiries and written representations; (b) whether the matter appears isolated or indicates broader, systemic or pervasive effects and whether the procedures should be extended; (c) the implications for the annual audit; and (d) the implications for continuance of the review engagement, audit engagement and client relationship. If a fraudulent misstatement is identified, the auditor shall also apply the requirements dealing with identified misstatements and modified conclusions.

Paragraph 56 - identified or suspected NOCLAR

If the auditor becomes aware of identified or suspected non-compliance with laws and regulations, the auditor shall: (a) understand the nature and circumstances of the matter, the relevant law or regulation, the persons involved, the periods and parts of the interim financial information that may be affected, the entity's investigation and remedial action; (b) perform further inquiries and other procedures necessary to evaluate the possible direct or indirect effect on the interim financial information; (c) apply paragraph 70 if the matter indicates that the interim financial information may be materially misstated; and (d) evaluate the implications for other aspects of the review, the reliability of management information and representations, the annual audit and continuance of the client relationship.

Paragraph 57 - communication and reporting outside the entity

> *If the auditor becomes aware of fraud or suspected fraud, or identified or suspected non-compliance with laws and regulations, the auditor shall: (a) unless prohibited by law or regulation, communicate the matter on a timely basis to the appropriate level of management and, when appropriate, those charged with governance; (b) where the review and annual audit engagement partners are different, communicate the matter promptly to the audit engagement partner, unless prohibited; and (c) determine whether law, regulation or relevant ethical requirements require or permit reporting to an authority outside the entity.*

New paragraph 57A - annual-audit implications

> *The auditor shall consider the implications of the matter for the audit of the current-period annual financial statements or a subsequent annual audit, as applicable. The response for purposes of the interim review shall be governed by this ISRE; the response for purposes of the annual audit shall be governed by the applicable International Standards on Auditing.*

New paragraph 70A - matter-specific and wider procedures

> *Additional procedures under paragraph 70 shall be responsive to the matter identified and its possible effect on the interim financial information. The auditor shall extend those procedures to other transactions, balances, disclosures, locations, components or periods when the evidence obtained indicates broader, systemic or pervasive implications.*

Suggested application material

The application material could explain the staged progression from an indicator to a reasonable basis for suspicion and then, where relevant, to paragraph 70. It could also illustrate common indicators, such as allegations, unusual journal entries, apparently altered records, transactions without an evident business rationale, undisclosed related parties and regulatory communications.

Further application material could clarify that "clearly inconsequential" is not a purely quantitative test; describe audit-like procedures that may be appropriate for a particular matter; explain when the work should extend beyond that matter; distinguish direct and indirect effects of NOCLAR; and separate the financial-reporting response from ethical or legal responsibilities.

It may also be useful to state the reporting alternatives expressly: correction or additional disclosure, an Emphasis of Matter paragraph for an adequately disclosed matter fundamental to users, a qualified or adverse conclusion for a material misstatement, a qualified conclusion or disclaimer where sufficient appropriate evidence cannot be obtained, withdrawal where permitted, and reporting to an appropriate authority where required or permitted.

Going Concern

Questions 12 and 13 below address both the auditor's work effort related to going concern in an interim review engagement and transparency about going concern in the interim review report.

12. Do you agree that the work effort requirements related to going concern are appropriate and proportionate to the circumstances of an interim review engagement, recognizing that the engagement is performed by the auditor of the entity's annual financial statements and has responsibilities related to going concern in the context of that engagement? If not, please explain your reasons and provide suggestions for how ED-2410 should address the auditor's responsibilities related to going concern in an interim review engagement. *(See Section I-F, paras. 57-61 in the EM)*

Overall response: **<u>Agree (with no further comments)</u>**

Detailed comments (if any):

Click or tap here to enter text.

13. Do you agree with the proposals to introduce a new separate section relating to going concern in the auditor's interim review report? If not, please explain your reasons and provide suggestions for how ED-2410 should address transparency about going concern in the interim review report. *(See Section I-H, paragraphs 74-79 in the EM)*

Overall response: **<u>Agree (with no further comments)</u>**

Detailed comments (if any):

Click or tap here to enter text.

In particular: (a) Do you agree with the proposed required statements, appropriately worded for a limited assurance engagement, relating to the going concern basis of accounting and whether a material uncertainty exists? If not, please explain your reasons and provide suggestions for how such statements should be worded in the interim review report.

Overall response: **<u>Agree (with no further comments)</u>**

Detailed comments (if any):

Click or tap here to enter text.

(b) Do you agree that the circumstances addressed in the requirements in paragraphs 108-111 of ED-2410 capture the most frequently encountered scenarios in practice? If not, please explain your reasons and provide suggestions for any other scenarios that should be addressed in ED-2410.

Overall response: **Agree, with comments below**

Detailed comments (if any):

Click or tap here to enter text.

(c) Do you agree with the requirement in paragraph 111 of ED-2410 to include a reference in the interim review report to disclosure(s) of a going concern matter, other than a material uncertainty (for example, a "close call") only when the matter is, in the auditor's professional judgment, of such importance that it is fundamental to users' understanding of the interim financial information, and to do so in a manner akin to an emphasis of matter paragraph? If not, please explain your reasons and provide suggestions for how such matters should be addressed in ED-2410.

Overall response: **Agree (with no further comments)**

Detailed comments (if any):

Click or tap here to enter text.

The Auditor's Interim Review Report

General

14. Do you agree with the proposed new structure of the auditor's interim review report? In particular, consider whether the new structure may be clearer for intended users of the report since it is consistent with the structure of the auditor's report on the financial statements. If not, please explain your reasons, including any suggestions for how the interim review report can be made clearer for intended users.

(See Section I-H, paragraphs 65-68 in the EM)

Overall response: **Agree, with comments below**

Detailed comments (if any):

The proposed sequence of a prominent Conclusion followed by a Basis for Conclusion, management responsibilities and the other reporting sections appears helpful. It preserves familiar navigation for users while the content can still explain that the engagement provides limited rather than reasonable assurance.

The principal change I would invite the IAASB to consider is the formulation of the unmodified conclusion. The report may better describe the result of the review process by stating that no matter identified through the work remained unresolved and required material adjustment or disclosure, rather than using wording that may sound like an audit opinion stated negatively.

The Basis for Conclusion could contain a standard description of the principal categories of work: bringing forward and updating the annual-audit knowledge, performing analytical procedures, making mandatory and targeted inquiries, carrying out other procedures prescribed by the Standard, reconciling the information to the accounting records, and performing further procedures where a matter required investigation.

The report should not list every procedure in the manner of an agreed-upon procedures report. Routine matters that have been satisfactorily resolved should remain in the working papers and, where significant, in communications with those charged with governance. Public reporting should focus on unresolved material matters, uncorrected material misstatements, significant limitations on the work, matters fundamental to users and matters for which the Standard specifically requires reporting.

For fraud and NOCLAR, an adequately disclosed matter may be highlighted through an Emphasis of Matter paragraph when it is fundamental to users and reporting it would not prejudice an investigation or contravene law. Such a paragraph should not replace a modification where the interim information is materially misstated or evidence is insufficient, nor should it replace ethical or legal reporting.

The Auditor’s Interim Review Conclusion

15. Do you foresee any practical consequences from the approach in ED-2410 that the auditor’s interim review conclusion would differ, depending on whether the applicable financial reporting framework is a fair presentation framework or a compliance framework, as defined in paragraph 13(b) of ED-2410? Please be as specific as possible in describing any potential issues and suggestions for how the IAASB may address them.

(See Section I-H, paragraphs 69-73 in the EM)

Overall response: **Neither yes/no, but see comments below**

Detailed comments (if any):

There may be practical consequences because the same or similar interim reporting framework can be viewed differently across jurisdictions. In particular, views may differ on whether condensed interim information prepared under IAS 34, Ind AS 34 or an equivalent framework is intended to achieve fair presentation or only compliance. Substantially similar information could therefore attract different conclusion wording.

It appears appropriate to retain the distinction between fair-presentation and compliance frameworks because the criteria are not identical. The classification should, however, follow the characteristics of the applicable framework together with law and regulation, rather than the label preferred by management or the auditor.

Framework-neutral application material could set out factors for considering whether the framework contemplates additional disclosures or, in rare circumstances, departure from a requirement to achieve fair presentation. This would not require the IAASB to interpret IAS 34, but could reduce inconsistent use of the reporting alternatives in its own Standard.

Illustrative wording - compliance framework

> *Based on our review, no matter identified through the procedures performed remained unresolved that, in our judgment, required a material adjustment to, or additional disclosure in, the accompanying interim financial information for it to be prepared, in all material respects, in accordance with [the applicable financial reporting framework].*

Illustrative wording - fair-presentation framework

> *Based on our review, no matter identified through the procedures performed remained unresolved that, in our judgment, required a material adjustment to, or additional disclosure in, the accompanying interim financial information for it to present fairly, in all material respects, [the relevant financial position, financial performance and cash flows] in accordance with [the applicable financial reporting framework].*

Other Matters

16.	Are there any other matters you would like to raise in relation to ED-2410? If so, please clearly indicate the specific paragraph numbers of any requirements, application material, or Appendix, to which your comments relate. If you provide views on other matters, please use subheadings in your response to clearly identify and distinguish different matters.

Overall response: **Yes, as further explained below**

Detailed comments (if any):

Other historical financial information

Paragraph 2 should, in my view, be retained. When the annual auditor reviews other historical financial information, the objectives, intended users, nature of the information and applicable criteria may require the provisions of ISRE 2410 to be adapted. The application material could make clear that adaptation concerns terminology, periods, presentation and the nature of relevant procedures; it does not permit relevant requirements to be omitted or the limited-assurance objective to be reduced.

Paragraph 38 - written communication with those charged with governance

It may be useful to require a written communication before those charged with governance approve the interim financial information. The communication need not reproduce every routine inquiry. It should cover significant or judgmental targeted inquiries, why they were considered necessary, the information or explanation supplied by management, the auditor's evaluation, any further procedures performed, the conclusion reached, and identified or uncorrected misstatements relevant to the governance responsibilities.

A possible formulation is:

> *The auditor shall communicate in writing, on a timely basis and before those charged with governance approve the interim financial information, significant matters that merit their attention. The communication shall include significant and judgmental targeted inquiries, the reason for those inquiries, management's information or explanations, the auditor's evaluation, any additional procedures performed, the conclusions reached and relevant identified or uncorrected misstatements. Routine inquiries need not be reported individually.*

Paragraphs 68 and 69 - Reconciliation

The basic requirement to agree or reconcile the interim financial information to the underlying records should remain. For a group, the group interim information should also be reconciled to the consolidation schedules. The amount of work on significant consolidation entries should be determined from the annual group-audit knowledge, current-period changes and matters arising in the review.

Paragraphs 75 to 80 - Written representations

Because the engagement depends substantially on management information and explanations, the representation requirements should be retained and, in selected respects, strengthened. Representations could address the completeness and accuracy of information supplied in response to significant targeted inquiries. Where fraud or NOCLAR has arisen, management should also confirm the status and results of investigations, remedial action and relevant communications with regulators, enforcement authorities, legal counsel or other external parties, to the extent disclosure to the auditor is not prohibited.

Paragraphs 66 and 67 - use of experts

An expert should be used when a particular matter identified during the review requires specialist assistance. The Standard should avoid creating an assumption that every expert involved in the annual audit must also be involved in each interim review.

Paragraphs 120 to 125 - documentation

Documentation may be more useful if it records the expectations developed by the auditor, the movement or matter that prompted inquiry, the persons questioned, management's response, the assessment of that response, contradictory information, the reason for further procedures, the work performed, the conclusion reached, identified misstatements and communications with governance.

When an indicator of fraud or NOCLAR arises, the file should also record its source and reliability, the basis for concluding whether suspicion existed, the reasons for confining or extending the work, communications with the annual audit engagement partner and the implications considered for the annual audit. Documentation for the interim review should remain distinguishable from concurrent annual-audit documentation.

Comparative information and materiality

The application material could explain that the quantitative reference amount relevant to a comparative interim period will ordinarily remain the amount applicable when that information was originally issued, unless the information is restated, new facts emerge or that amount is no longer appropriate. After a new auditor has completed the first annual audit and later performs an ISRE 2410 engagement containing comparative interim information reviewed by another auditor, the new auditor would determine the appropriate reference amount under the revised materiality principles.

Most recent annual audit report was modified

Application material could address whether the necessary foundation exists when the most recent annual auditor's report was modified. A qualification or adverse opinion need not automatically preclude an interim review if the auditor obtained the necessary understanding and deals appropriately with the continuing matter. A prior disclaimer arising from a pervasive inability to obtain evidence may indicate that the foundation is absent unless it has subsequently been established.

Transition to a successor auditor where fraud or NOCLAR arises

Paragraph A1 contemplates a review by an auditor that audited the previous annual financial statements but will not audit the current year. The application material could address communication of fraud or NOCLAR to a successor auditor or another appropriate party, subject to confidentiality, law, regulation and the relevant ethical requirements.

Translations

17.	Recognizing that many respondents may intend to translate the final standard for adoption in their own environments, have you identified any potential translation challenges or issues? If so, please describe the issue identified and clearly indicate the specific paragraph numbers of any requirements, application material, or specific illustrations or appendices to which your comments relate.

Overall response: **Yes, see comments on translation below**

Detailed comments (if any):

I have not carried out a formal translation review. It nevertheless appears possible that ambiguities in the English text may become more pronounced in translation, particularly the expressions "areas", "likely to arise", "review procedures" and the present negative-form conclusion.

The additional distinctions suggested in the response to Question 11 - an indicator, a reasonable basis to suspect, clearly inconsequential, and broader or systemic implications - may also be difficult to translate consistently unless the application material explains their relationship and intended thresholds. Clarity in the source language would reduce this risk.

Effective Date

18.	The IAASB believes that an appropriate implementation period would be approximately 18 months after the expected date of approval of the proposed revised standard. Do you agree that this will provide a sufficient period to support effective implementation of the proposed standard? If not, what do you propose and why? *(See Section I-I, paragraphs 85-86 in the EM)*

Overall response: **Disagree, with comments below**

Detailed comments (if any):

An implementation period of approximately 18 months may be too short if the final Standard materially changes the work-effort model, reporting language and the treatment of fraud and NOCLAR. Firms and professional bodies would need to revise methodologies, analytical tools, documentation templates, group instructions, reporting formats, engagement-quality review materials and training.

The fraud and NOCLAR proposals would also require clear triage and escalation protocols, coordination between review and annual-audit partners, access to legal or forensic specialists, component-auditor communications and reporting decision frameworks. It appears to me that a period of at least 24 months after approval of the final pronouncement would be more workable, with early application permitted where the relevant jurisdiction allows it.

Questions to Inform the International Ethics Standards Board for Accountants (IESBA)

The IESBA is seeking views from respondents related to the application of the IESBA Code. Respondents for whom these questions are relevant are encouraged answer these questions to inform the IESBA's consideration of the need for any future actions.

(See the Introduction, paragraphs 12-14, and Section I-C in the EM)

Group Interim Review Engagements

E.1. Recognizing that ED-2410 requires the auditor to comply with relevant ethical requirements, including those related to independence, when performing an interim review engagement:

(a) Given the context set out in Section I-C, paragraph 28, in the EM and taking into account that Part 4A of the Code applies to both audit and review engagements unless otherwise stated, do you believe there is a need to clarify the application of Section 405 with respect to group review engagements, including group interim reviews? If so, please explain why. Also explain what clarifications would be useful and whether they should be made inside or outside the Code.

Overall response: **Yes, with comments below**

Detailed comments (if any):

It appears that clarification within the Code would be useful. Section 405 was developed for group audits and is framed by reference to ISA 600. A group interim review may involve a component auditor that is not a network firm or that was not involved in the annual group audit. It may therefore be uncertain how the existing provisions are to be applied in that setting.

The Code could require an equivalent independence outcome for every component auditor whose work is used in the group interim review, regardless of network status. It could also clarify the group engagement partner's responsibility, the information to be obtained from the component auditor, evaluation of interests and relationships, treatment of breaches, and the effect of different local ethical requirements.

Because these matters determine enforceable independence obligations, the principal clarification should be placed in the Code. Non-authoritative material could then illustrate common situations involving non-network firms, a different component auditor from the annual group audit, and a component auditor engaged only for the interim period.

Non-compliance or Suspected Non-compliance with Laws and Regulations

E.1.	Recognizing that ED-2410 requires the auditor to comply with relevant ethical requirements, including those related to independence, when performing an interim review engagement:	
	(b)	Do you believe the application of the Code as described in Section I-C, paragraph 29, in the EM is clear when information concerning non-compliance or suspected non-compliance with laws and regulations comes to the auditor's attention when performing an interim review engagement? If not, please explain why. Also explain what clarifications would be useful and whether they should be made inside or outside the Code.

Overall response: **No, with comments below**

Detailed comments (if any):

The explanation in the Explanatory Memorandum does not appear sufficiently clear as an operating requirement. Section 360 applies one set of provisions to the interim review as a non-audit service and another set to the annual audit. The expectation that there should ultimately be no divergence in the firm's response depends on internal communication to the audit engagement partner, but the consequences of that communication are not stated with enough precision.

Clarification inside the Code could establish the following coordinated approach:

1. The professional accountant performing the interim review continues to comply with the NOCLAR provisions applicable to that engagement.

2. Unless prohibited by law or regulation, the matter is communicated promptly under the firm's protocols, or directly, to the engagement partner responsible for the annual audit.

3. The audit engagement partner treats the information as relevant to the audit and considers it under the NOCLAR provisions applicable to the audit engagement.

4. The review and audit engagement partners coordinate communications, consultation, documentation and any external reporting so that responsibilities are neither duplicated unnecessarily nor left unattended.

5. The Code explains how the approach operates when one partner leads both engagements, when different partners are responsible, and when the matter is first identified by a component auditor.

6. The Code addresses legal restrictions, confidentiality and circumstances in which communication could prejudice an investigation.

It may also be useful to clarify that the ethical or legal response is not dependent on whether the matter is material to the interim financial information. Materiality informs the financial-reporting response; it does not determine whether a public-interest responsibility under the Code or law has arisen.

The allocation of responsibilities should be in the Code because it affects mandatory conduct. Supplementary examples could be issued outside the Code for an outgoing auditor, different review and audit partners, a group component matter and circumstances in which communication is restricted.

This document was prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB).

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.