

Review

- "Review" is a **limited assurance** engagement.
- Provides **lower level of assurance than audit** i.e., risk is reduced to a level that is acceptable.
- Involves **fewer procedures** and, gathers SAAE on basis of which limited conclusions can be drawn up. However, "review" is related to FS prepared on basis of historical financial information **just like an audit**.

Standards on Review Engagements

SRE 2400 Engagements to Review Historical Financial Statements

SRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity

SRE 2400 Engagements to review historical FS

SRE 2400 deals with-:

(P) - practitioner

<p>(P)'s responsibilities when engaged to perform a review of historical FS, when the (P) is not the auditor of the entity's FS &</p>	<p>Form and content of the (P)'s report on the FS.</p>
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- Enhance confidence of intended users in entity's FS under applicable reporting framework.
- FS may be prepared using **general or special purpose framework**.
- Procedures for Conclusion: **Inquiry and analytical procedures** to gather SAAE.
- If (P) becomes **aware of potential MM**: Design and perform **additional procedures**.

Objectives in a review of FS in accordance with SRE 2400

- **Obtain limited assurance**, by making an Inquiry & performing AP - whether the FS as a whole are **free from MM**, to express a conclusion on whether anything has come to his attention that causes him to believe the FS are not prepared, in all material respects, in accordance with an applicable FRF.
- **Report on the FS as a whole and communicate**, as per this SRE.

When limited assurance can't be obtained & a modified conclusion is insufficient, - Either to **disclaim** a conclusion or, where appropriate to **withdraw from the engagement** if withdrawal is possible under applicable law or regulations.

Q. R Ltd entered into a contract with D Ltd. condition in the contract - R Ltd is required to get its FS reviewed for a year on a quarterly basis in accordance with the financial reporting provisions of the contract. Can R Ltd get its FS reviewed from a professional accountant in practice?

Above FS are prepared in accordance with special purpose framework in accordance with requirements of a contract. FS prepared in accordance with special purpose framework can also be reviewed by a professional accountant in practice and review report may be issued in accordance with SRE 2400

Compliance with Ethical Requirements & Engagement Level Quality Control

Factors affecting Acceptance and Continuance of Client Relationships and Review Engagements:

Unless required by L/R, (P) shall not accept a review engage if:

(a) (P) is not satisfied:

<p>1) That there is a rational purpose for the engagement. For ex-</p> <ul style="list-style-type: none"> • There is a significant limitation on the scope of work or • (P) suspects association of the (P)'s name with the FS in an inappropriate manner. • when the <u>engagement is intended to meet compliance requirements</u> of relevant law or regulation(L/R) and such L/R requires the FS to be audited, there is no rational purpose for such a review engagement. 	<p>2) Review engagement would be appropriate in the circumstances</p> <p>When the (P)'s preliminary understanding of the engagement circumstances indicates that accepting a review engagement would not be appropriate, (P) may consider recommending another type of engagement.</p> <p>Depending on the circumstances, the (P) may, For eg, believe that performance of an audit engagement would be more appropriate than a review. In other cases, if the engagement circumstances preclude the performance of an assurance engagement, the (P) may recommend a compilation engagement, or other accounting services engagement, as appropriate.</p>
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(b) (P) has reason to believe that **relevant ethical requirements**, including independence, will **not be satisfied**.

(c) (P)'s preliminary understanding of the engagement circumstances indicates that **information needed to perform the review engagement is likely to be unavailable or unreliable**.

(d) (P) has cause to **doubt Mgt.'s integrity** such that it is likely to **affect proper performance of the review** or

(e) Mgt. or TCWG **impose a limitation on the scope of the (P)'s work** in the terms of a proposed review engagement such that the (P) believes that the **limitation will result in the (P) disclaiming a conclusion on the FS**.

Preconditions for Accepting a Review Engagement

Prior to accepting a review engagement, the (P) shall: -

- Determine whether the **FRF applied in the preparation of the FS is acceptable** including, in the case of **special purpose FS**, obtaining an understanding of the purpose for which the FS are prepared and of the intended users, and;
- Obtain **agreement of Mgt.** that it **acknowledges and understands its responsibilities**:

(i) For the preparation of the FS in accordance with the applicable FRF , including, where relevant, their fair presentation.		
(ii) For such internal control as Mgt. determines is necessary <u>to enable the preparation of FS that are free from MM</u> , whether due to fraud or error; and		
(iii) To provide the (P) with: -		
<p>A. Access to all info. of which <u>mgt. is aware that is relevant to the preparation of the FS</u>, such as records, documentation and other matters;</p>	<p>B. Additional info. that the (P) <u>may request</u> from mgt. for the purpose of the review; and</p>	<p>C. Unrestricted access to persons within the entity from whom the (P) determines it <u>necessary to obtain evidence</u>.</p>

If (P) is **not satisfied** as to any of the matters set out above - **discuss the matter with the mgt. or TCWG**.

If **changes cannot be made to satisfy the (P)**, the (P) shall **not accept the proposed engagement** unless required by L/R to do so.

After acceptance of engagement (P) is not satisfied: discuss the matter with the mgt. or TCWG and shall **determine**:

- Whether the **matter can be resolved**
- Whether it is **appropriate to continue** with the engagement and
- Whether and, if so, **how to communicate the matter in the P's report**.

Agreeing to the Terms of Engagement

- Agree to the terms with the mgt. or TCWG, prior to performing the engagement.
- Agreed terms shall be recorded in an engagement letter/ other suitable form of written agreement.
- On recurring review engagements, the (P) shall evaluate whether circumstances, whether terms to be revised and whether there is a need to remind mgt. or TCWG, of the existing terms.
- Not agree to a change in the terms where there is no reasonable justification for doing so.
- If, prior to completing the review engagement, the (P) is requested to change the engagement to an engagement for which no assurance is obtained, the (P) shall determine whether there is reasonable justification for doing so.
- If the terms are changed during the course of the engagement, the (P) and the mgt. or TCWG, as appropriate, shall agree on and record the new terms of engagement.

1) Determine materiality for FS as a whole

- Determine materiality for the FS as a whole and **apply this materiality in designing the procedures and in evaluating the results obtained from those procedures.**
- Judgment** about **what is material** in relation to the FS as a whole **is the same regardless of the level of assurance obtained**
- Revise materiality** for the FS as a whole in the event of **becoming aware of any info.** that would have caused the (P) to have determined a different amount initially.

2) Obtain understanding of entity

(P) shall obtain an understanding of the entity and its envt. and the applicable FRF to identify areas in the FS where MM are likely to arise and thereby provide a basis for designing procedures to address those areas.

3) Designing and Performing Procedures

- In obtaining SAAE design and perform inquiry and analytical procedures: -

- (a) To address **all material items in the FS**, including disclosures and
- (b) To **focus on addressing areas** in the FS where **MM are likely to arise.**

- Designing and performing of inquiry and AP, and procedures addressing specific circumstances, are designed to enable the (P) to achieve the objectives of this SRE.
- Circumstances vary widely and, accordingly, there may be circumstances where the (P) may consider it effective or efficient to design and perform other procedures.

(a) Inquiry:

In a review, **inquiry includes seeking information from mgt. and other persons** within the entity, as the (P) considers appropriate in the engagement circumstances.

Inquiries may **include matters such as** those relating to

Making of accounting estimates	Identification of related parties,
Existence of any actual, suspected or alleged fraud,	Events occurring between the date of the FS and (P)'s report,
Basis for mgt.'s assessment of the entity's ability to continue as a going concern,	Events or conditions that appear to cast doubt on the entity's ability to continue as a going concern,
about significant, complex or unusual transactions,	material commitments, contractual obligations or contingencies

(P) may also **extend Inquiries to obtain non-financial data** if appropriate. Evaluating the responses provided by the mgt. is integral to the inquiry process.

Depending on the engagement circumstances, inquiries may also include inquiries about:

- Actions taken at meetings** of owners, TCWG and committees, and **proceedings at other meetings**, if any, that affect the info. and disclosures contained in the FS.
- Communications** the entity has received, or expects to receive or obtain, **from regulatory agencies.**
- Matters arising** in the course of applying other procedures.

(b) **Analytical procedures:** In designing AP, consider **whether the data** from the entity's accounting system and accounting records are adequate for the purpose of performing the analytical procedures.

Why "Inquiry" and "Analytical procedures" are important in Review?

- Evidence obtained through inquiry is often the **principal source of evidence about mgt. intent.** However, info. available to support mgt.'s intent may be limited.
- In that case, **understanding mgt.'s past history** of carrying out its stated intentions, **mgt.'s stated reasons for choosing a particular course of action,** and **mgt.'s ability to pursue a specific course of action** may provide relevant information to corroborate the evidence obtained through inquiry.
- Application of **professional scepticism in evaluating responses** provided by mgt. is important to evaluate whether there are any matters that would cause the (P) to believe the FS may be materially misstated.
- Performing inquiry assists the (P) in obtaining or updating the (P)'s **understanding of the entity and its environment,** to be able to identify areas where MM are likely to arise in the FS.

Performing analytical procedures assists the (P) in:

Obtaining or updating the (P)'s understanding of the entity and its environment, including to be able to identify areas where material misstatements are likely to arise in the FS.	Identifying inconsistencies or variances from expected trends, values or norms in the FS such as the level of congruence of the FS with key data, including key performance indicators.
Providing corroborative evidence in relation to other inquiries or analytical procedures already performed.	Serving as additional procedures when the (P) becomes aware of matters that cause the (P) to believe that the FS may be materially misstated.

Various methods may be used to perform AP ranging from performing simple comparisons to performing complex analysis using statistical techniques.

4) Procedures to Address Specific Circumstances

Related Parties

- (P) shall remain **alert for arrangements or info.** that may indicate the **existence of related party relationships /transactions** that the mgt. has not previously identified or disclosed to the (P).
- If the (P) **identifies significant transactions outside the entity's normal course of business,** the (P) shall **inquire** with the mgt. about the nature of those transactions, possible involvement of related parties and the business rationale of those transactions.

Fraud and non-compliance with laws or regulations

- When there is an indication that **fraud or NOCLAR or suspected fraud or NOCLAR,** has occurred in the entity - (P) shall **communicate** that matter to the appropriate level of senior mgt. or TCWG and **request mgt.'s assessment** of the effects, if any, on the FS.
- (P) has to **consider the effect,** if any, of **mgt.'s assessment of the effects of fraud or NOCLAR on the FS and on his report** and determine whether there is a **responsibility to report** the occurrence/ suspicion of fraud or illegal acts to a party outside the entity.

Going concern:

(P) becomes aware of events or conditions that may cast **significant doubt** about the **entity's ability to continue** as a going concern, the (P) shall:

- (a) **Inquire** of mgt. **about plans for future actions** and about the **feasibility of those plans,** and also whether mgt. believes that the **outcome of those plans** will improve the situation.
- (b) **Evaluate the results of those inquiries,** to consider whether mgt.'s responses provide a sufficient basis to: -

Continue to present the FS on the going concern basis if the <u>applicable FRF includes the assumption</u> of an entity's continuance as a going concern or	Conclude whether the FS are materially misstated, or are otherwise misleading regarding the entity's ability to continue as a going concern
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- (c) **Consider mgt.'s responses** in light of all relevant information of which the (P) is aware as a result of the review.

Use of work performed by others:

If the (P) uses work performed by another (P) or an expert in the course of performing the review, the (P) shall take appropriate steps to be **satisfied that the work performed is adequate** for the (P)'s purposes.

5) Additional procedures when the (P) becomes aware that the FS may be materially misstated:

Design and perform additional procedure to enable (P):

(a) Conclude that the matter(s) is not likely to cause the FS as a whole to be materially misstated or (no)	(b) Determine that the matter(s) causes the FS as a whole to be materially misstated. (Yes)
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The evaluation of the results of the additional procedures may enable the (P) to get to (a) or (b) above.

If not, the (P) is required to: -

- Continue** performing additional procedures until the (P) reaches either (a) or (b) above or
- If the (P) **is not able** to either conclude that the matter is not likely to cause the FS as a whole to be materially misstated or to determine that the matter does cause the FS as a whole to be materially misstated, **then a scope limitation exists and the (P) is not able to form an unmodified conclusion on the FS.**

Additional procedures:

Additional inquiry or AP , for ex, being performed in greater detail or being focused on the affected items (i.e. amounts or disclosures concerning the affected accounts or transactions as reflected in the FS); or	Other types of procedures , for ex, substantive test of details or external confirmations.
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Additional procedure in case of subsequent events:

- If the (P) becomes aware of events occurring **between the date of the FS and the date of the (P)'s report** that require adjustment/disclosure in the FS - **request mgt. to correct** those misstatements.
- (P) has **no obligation** to perform any procedures regarding the FS **after the date of the (P)'s report.**
- However, if, **after the date of the (P)'s report but before the date the FS are issued**, a **fact becomes known to the (P) that, had it been known to the (P) at the date of the (P)'s report**, may have caused the (P) **to amend the report**, the (P) shall:
 - Discuss** the matter with **mgt. or TCWG**, as appropriate
 - Determine** whether the FS need **amendment** and
 - If so, **inquire** how **mgt. intends to address the matter** in the FS.
- If **mgt. does not amend the FS** in circumstances where the (P) **believes they need to be amended**, and the (P)'s report has already been provided to the entity, the (P) shall **notify mgt. and TCWG not to issue the FS to 3rd parties** before the necessary amendments have been made.
- If the FS are subsequently **issued without the necessary amendments**, (P) shall take **appropriate action to prevent reliance on the (P)'s report.**

6) Written Representations

Request mgt. to provide WR that mgt. has fulfilled its responsibilities described in the agreed terms of engagement. WR shall include that:

(a) Mgt. has **fulfilled its responsibility for the preparation of FS** in accordance with the applicable FRF, including where relevant their fair presentation, and has provided the (P) with all relevant info. and access to info. as agreed in the terms of the engagement; and

(b) **All transactions have been recorded and are reflected in the FS.**

The (P) shall also request mgt.'s WR mgt. has disclosed to the (P): -

1) Significant facts relating to any frauds or suspected frauds known to mgt. that may have affected the entity;	2) Known actual or possible NOCLAR for which the effects of non-compliance affect the entity's FS;
3) Identity of the entity's related parties and all the related party relationships and transactions of which mgt. is aware;	4) That all events occurring subsequent to the date of the FS and for which the applicable FRF requires adjustment or disclosure, have been adjusted or disclosed;
5) All information relevant to use of the going concern assumption in the FS;	6) Material commitments, contractual obligations or contingencies that have affected or may affect the entity's FS, including disclosures;

If **mgt. does not provide one or more of the requested WR**, the (P) shall:-

- Discuss** the matter with **mgt. and TCWG**, as appropriate;
- Re-evaluate** the **integrity** of **mgt.**, and **evaluate the effect** that this may have **on the reliability of representations** (oral or written) and **evidence in general**; and
- Take appropriate actions, including determining the possible effect on the conclusion** in the (P)'s report in accordance with this SRE.

(P) shall **disclaim a conclusion on the FS, or withdraw from the engagement** if withdrawal is possible under applicable L/R, if: -

- The (P) concludes that there is sufficient **doubt about the integrity of mgt.** such that the WR's are not reliable or
- Mgt. **does not provide the required representations** in respect of its responsibilities for preparation of **FS** and recording of all transactions in FS.

7) Evaluating evidence obtained from the procedures performed

(P) may not have obtained the evidence that the (P) had expected to obtain through primarily inquiry and AP.

In these circumstances, the (P) considers that the evidence obtained from the procedures performed **is not SAAE** to be able to form a conclusion on the FS.

The (P) may:

- Extend** the **work performed** or
- Perform other procedures** judged by the (P) to be necessary in the circumstances.

Where neither of these is practicable in the circumstances, the (P) will **not be able to obtain SAAE** to form a conclusion and is **required by this SRE to determine the effect on the (P)'s report, or on the (P)'s ability to complete the engagement.**

For example, if a member of mgt. is unavailable at the time of the review to respond to the (P)'s inquiries on significant matters.

If (P) **is not able to obtain SAAE**, the (P) shall **discuss with mgt. and TCWG**, as appropriate, the **effects such limitations have on the scope of the review.**

Inability to perform a specific procedure **doesn't constitute a limitation on the scope** of the review if the (P) is able to obtain SAAE by performing **other procedures.**

Limitations on the scope of the review imposed by mgt. may have other implications for the review, such as for the (P)'s consideration of areas where the FS are likely to be materially misstated, and engagement continuance.

8) Forming the (P)'s conclusion on the FS

(P) shall also consider the impact of: -

(a) <u>Uncorrected misstatements identified during the review</u> , and in the previous year's review of the entity's FS, on the FS as a whole	(b) <u>Qualitative aspects of the entity's accounting practices</u> , including indicators of possible bias in mgt.'s judgments.
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If FS are prepared using a FRF, (P)'s consideration shall also include: -

- (a) Overall presentation, structure and content of the FS in accordance with the applicable framework and
- (b) Whether the FS, including the related notes, appear to represent the underlying transactions and events in a manner that achieves fair presentation or gives a true and fair view, as appropriate, in the context of the FS as a whole.

Unmodified Conclusion: (P) shall express an unmodified conclusion when the (P) has **obtained limited assurance** to be able to conclude that **nothing has come to the (P)'s attention** that causes the (P) to believe that the FS are not prepared, in all material respects, in accordance with the applicable FRF.

When (P) expresses an unmodified conclusion, use one of the following phrases, as appropriate: -

- (a) *"Based on our review, nothing has come to our attention that causes us to be that the FS do not give a true and fair view (or do not present fairly in all material respects), in accordance with the applicable FRF," (for FS prepared using a fair presentation framework); OR*
- (b) *"Based on our review, nothing has come to our attention to that causes us to believe that the FS are not prepared, in all material respects, in accordance with the applicable FRF," (for FS prepared using a compliance framework).*

Modified Conclusion: (P) shall express a modified conclusion

- (a) Determines, based on the procedures performed and the evidence obtained, that the **FS are Materially misstated** or
- (b) (P) is **unable to obtain SAAE** in relation to 1 or more items in the FS that are material in relation to the FS as a whole.

When (P) modifies the conclusion expressed on the FS, the (P) shall:

- (a) Use the heading "Qualified Conclusion," "Adverse Conclusion" or "Disclaimer of Conclusion," as appropriate, for the conclusion paragraph and
- (b) Provide a **description of the matter** giving rise to the modification, under an appropriate heading (for example, "Basis for Qualified Conclusion," "Basis for Adverse Conclusion" or "Basis for Disclaimer of Conclusion," as appropriate) in a separate paragraph in the (P)'s report **immediately before the conclusion paragraph** (referred to as the basis for conclusion paragraph).

FS are materially misstated.

(P) determines that the FS are materially misstated (P) shall express:

- (a) A **qualified conclusion** - when the (P) concludes that the effects of the matter(s) giving rise to the modification **are material, but not pervasive** to the FS; or
- (b) An **adverse conclusion** - when the effects of the matter(s) giving rise to the modification are **both material and pervasive** to the FS.

When (P) expresses a **qualified conclusion because of MM**, use one of the following phrases, as appropriate: -

- (a) *"Based on our review, except for the effects of the matter(s) described in the Basis Qualified Conclusion paragraph, nothing has come to our attention that causes us believe that the FS do not give a true and fair view (or do not present fairly, in all material respects), in accordance with the applicable FRF," (for FS prepared using a fair presentation framework) or*
- (b) *"Based on our review, except for the effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us believe that the FS are not prepared, in all material respects accordance with the applicable FRF (FS prepared using a compliance framework).*

When (P) expresses a qualified conclusion **due to inability to obtain SAAE**, use one of the following phrase:

- (a) *"Based on our review, except for the possible effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the FS do not give a true and fair view (or do not present fairly, in all material respects) in accordance with the applicable FRF," (for FS prepared using a Fair presentation framework); or*
- (b) *"Based on our review, except for the possible effects of the matter(s) described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the FS are not prepared, in all material respects, in accordance with the applicable FRF," (for FS prepared using a compliance framework).*

When the (P) expresses an **adverse conclusion** use one of the following phrases, as appropriate:

- (a) *"Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the FS do not give a true and fair view (or do not present fairly, in all material respects), in accordance with the applicable FRF," (for FS prepared using a FRF); or*
- (b) *"Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the FS are not prepared, in all material respects, in accordance with the applicable FRF," (for FS prepared using a compliance framework).*

In the **basis for conclusion paragraph**, in relation to MM that give rise to either a **qualified conclusion or an adverse conclusion**, (P) shall:

- (a) **Describe and quantify** the financial effects of the misstatement if the MM relates to specific amounts in the FS (including quantitative disclosures), unless impracticable, in which case the (P) shall so state;
- (b) **Explain how disclosures are misstated** if the MM relates to narrative disclosures; or
- (c) **Describe the nature of omitted** info. if the MM relates to the non-disclosure of info. required to be disclosed. Unless prohibited by L/R, (P) shall include the omitted disclosures where practicable to do so.

Narrative accounting disclosures are an integral part of the corporate financial reporting package. They are deemed to provide a view of the company "through the eyes mgt.". The narratives represent mgt.'s construal of corporate events are largely discretionary.

Inability to obtain sufficient and appropriate evidence

If (P) is unable to form a conclusion on the FS due to the inability to obtain SAAE, the (P) shall:

- (a) Express a **qualified conclusion** if (P) concludes that the possible effects on the FS of undetected misstatements, if any, could be **material but not pervasive** or
- (b) **Disclaim a conclusion** if (P) concludes that the possible effects on the FS of undetected misstatements, if any, could be **both material and pervasive**.

The (P) shall withdraw from the engagement if the following conditions are present:

- (a) Due to a limitation on the scope of the review imposed by mgt. after (P) has accepted the engagement, (P) is **unable to obtain SAAE** to form a conclusion on the FS;
- b) **Possible effects** on the FS of undetected misstatements are **material and pervasive** and
- c) **Withdrawal is possible** under applicable law or regulation.

When **disclaiming a conclusion** on the FS the shall state in the conclusion paragraph that:

- (a) **Due to the significance of the matter(s) described in the Basis for Disclaimer of Conclusion paragraph**, (P) is unable to obtain SAAE to form a conclusion on the FS; and
- (b) Accordingly, the (P) does not express a conclusion on the FS.

In the basis for conclusion paragraph, in relation to either the qualified conclusion due to inability of obtaining sufficient and appropriate evidence or when the (P) disclaims a conclusion, the (P) shall include the reason(s) for the inability to obtain sufficient and appropriate evidence.

9)The (P)'s Report

(P)'s report shall be in writing and contain the following elements: -

- (a) A title, which shall clearly indicate that it is the report of an independent (P) for a review engagement
- (b) The addressee(s), as required by the circumstances of the engagement
- (c) An introductory paragraph that:
 - Identifies FS reviewed, including identification of the title of each of the statements contained in the set of FS and date & period covered by FS.
 - Refers to the summary of significant accounting policies and other explanatory information and
 - States that FS have been reviewed
- (d) A description of the responsibility of mgt. for the preparation of the FS, including an explanation that mgt. is responsible for:
 - Their preparation in accordance with the applicable FRF including, where relevant, their fair presentation;
 - Such IC as mgt. determines is necessary to enable the preparation of FS that are free from MM, whether due to fraud or error;
- (e) If the FS are special purpose FS:
 - A description of the purpose for which the FS are prepared and, if necessary, intended users, or reference to a note in the special purpose FS that contains that info.; and
 - If mgt. has a choice of FRFs in the preparation of such FS, a reference within the explanation of mgt.'s responsibility for the FS to mgt.'s responsibility for determining that the applicable FRF is acceptable in the circumstances
- (f) A description of the (P)'s responsibility to express a conclusion on the FS including reference to this SRE & applicable L/R
- (g) A description of a review of FS and its limitations, and following statements:
 - A review engagement under this SRE is a limited assurance engagement.
 - (P) performs procedures, primarily consisting of making inquiries of mgt. and others within the entity, as appropriate, and applying AP, and evaluates the evidence obtained and
 - Procedures performed in a review are substantially less than those performed in an audit conducted in accordance with (SAs), and, accordingly, the (P) does not express an audit opinion on the FS.
- (h) A paragraph under the heading "Conclusion" that contains:
 - The (P)'s conclusion on the FS as a whole as appropriate and
 - A reference to the applicable FRF used to prepare the FS.
- (i) When the (P)'s conclusion on the FS is modified:
 - A paragraph under the appropriate heading that contains the (P)'s modified conclusion as appropriate and
 - A paragraph, under an appropriate heading, that provides a description of the matter(s) giving rise to the modification
- (j) A reference to the (P)'s obligation under this SRE to comply with relevant ethical requirements
- (k) The date of the (P)'s report: (P) shall date the report no earlier than the date on which the (P) has obtained SAAE as the basis for the (P)'s conclusion on the FS, including being satisfied that: -
 - All the statements that comprise the FS under the applicable FRF, including the related notes where applicable, have been prepared and
 - Those with the recognized authority have asserted that they have taken responsibility for those FS.
- (l) The (P)'s signature and
- (m) The place of signature.

EOMP & OMP in the P's Report

Emphasis on matter paragraph	Other matter paragraph
<ul style="list-style-type: none"> • P may consider it necessary to draw users' attention to a matter presented or disclosed in the FS that, in the P's judgment, is of such importance that it is fundamental to users' understanding of the FS. • P shall include an EOMP, provided the P has obtained SAAE to conclude that the matter is not likely to be materially misstated as presented in the FS. • Such paragraph shall refer only to the info. presented or disclosed in the FS. • Include an EOMP immediately after the paragraph that contains the P's conclusion on the FS under the heading "Emphasis of Matter," or other appropriate heading. 	<p>If the P considers it necessary to communicate a matter other than those that are presented or disclosed in the FS that, in the P's judgment, is relevant to users' understanding of the review, the P's responsibilities or the P's report and this is not prohibited by law or regulation, the P shall do so in a paragraph in the P's report with the heading "Other Matter" or other appropriate heading.</p>

Audit Vs. Review

Audit	Review
Audit is a type of reasonable assurance engagement providing reasonable level of assurance.	Review is a type of limited assurance engagement providing a lower level of assurance than reasonable assurance engagement.
It performs elaborate and extensive procedures including tests of controls and substantive procedures.	It performs fewer procedures primarily focusing on inquiry and analytical procedures.
It draws reasonable conclusions on the basis of sufficient appropriate evidence.	It draws limited conclusions on the basis of sufficient appropriate evidence.
It provides an assurance opinion. The language of assurance opinion is positively worded.	It provides an assurance conclusion. The language of assurance conclusion is negatively worded.

Documentation

(P) shall document the following aspects of the engagement sufficient to enable an experienced (P), having no previous connection with the engagement, to understand:

- (a) The NTE of the procedures performed to comply with this SRE and applicable L/R requirements
- (b) Results obtained from the procedures, and the (P)'s conclusions formed on the basis of those results and
- (c) Significant matters arising during the engagement, the (P)'s conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

While documenting the nature, timing and extent of procedures performed as required this SRE, the (P) shall record:

- (a) Who performed the work and the date such work was completed and
- (b) Who reviewed the work performed for the purpose of quality control for the engagement, and the period and extent of the review.

(P) shall also document discussions with the Mgt., TCWG, and others as relevant to the performance of the review of significant matters arising during the engagement.

If, in the course of the engagement, the (P) identified information that is inconsistent with the (P)'s findings regarding significant matters affecting the FS, the (P) shall document how the inconsistency was addressed.

Interim Financial Information

IFI is FI that is prepared and presented in accordance with an applicable FRF and comprises either a complete or a condensed set of FS for a period that is **shorter than the entity's financial year**. For example, IFI may relate to financial FS of a **quarter** of financial

Understanding the Entity and its Environment

Some of the procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control, include the following:

- 1) Reading the **most recent annual and comparable prior period IFI**.
- 2) Considering **materiality** with reference to the applicable FRF as it relates to IFI to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements.
- 3) Considering the **results** of any **audit procedures performed** with respect to the current year's FS.
- 4) Considering the **results** of any **internal audit** performed and the subsequent actions taken by the Mgt.
- 5) Inquiring of Mgt. about the **results of Mgt.'s assessment of the risk** that the IFI may be materially misstated as a result of fraud.
- 6) Inquiring of Mgt. about the **effect of changes in the entity's business activities**.
- 7) Inquiring of Mgt. about any **significant changes in internal control** and the potential effect of any such changes on the preparation of IFI.
- 8) Reading the documentation, to the extent necessary, of the preceding year's audit and reviews of prior interim period(s) of the current year and corresponding interim period(s) of the prior year, to enable the auditor to identify matters that may affect the current-period IFI.
- 9) Considering any significant risks, including the risk of Mgt. override of controls, that were identified in the audit of the prior year's FS.
- 10) Considering the nature of any corrected MMs and any identified uncorrected in MM in the prior year's FS.
- 11) Considering significant financial accounting and reporting matters that may be of continuing significance such as material weaknesses in internal control.
- 12) Inquiring of Mgt. of the process by which the IFI has been prepared and the reliability of the underlying accounting records to which the IFI is agreed or reconciled.

Inquiries, Analytical and other Review procedures

The auditor performs the following procedures:

- 1) **Reading the minutes of the meetings** of shareholders, TCWG, and other committees to identify matters that may affect the IFI, and inquiring about **matters dealt with at meetings** for which minutes are not available that may affect the IFI.
- 2) **Considering the effect**, if any, **of matters giving rise to a modification** of the audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
- 3) **Communicating**, with **other auditors** who are performing a review of the IFI of the **reporting entity's significant components**.
- 4) **Inquiring of members of Mgt. responsible for financial and accounting matters, and others as appropriate about the following:**
 - (a) Whether the IFI has been **prepared and presented** in accordance with the applicable FRF.
 - (b) Whether the IFI **contains** any known uncorrected misstatements.
 - (c) Whether there have been any **changes in accounting principles** or in the **methods** of applying them.
 - (d) Whether any **new transactions** have necessitated the application of a new accounting principle.
 - (e) Whether **related party transactions** have been appropriately accounted for and disclosed in the IFI.
 - (f) Significant changes in commitments and contractual obligations.
 - (g) Significant changes in contingent liabilities including litigation or claims.
 - (h) Knowledge of any allegations of fraud, or suspected fraud, affecting the entity's IFI communicated by employees, former employees, analysts, regulators, or others.
 - (i) Knowledge of any actual or possible non-compliance with laws and regulations that could have a material effect on the IFI.
- 5) **Applying AP** to the IFI designed to identify relationships and individual items that appear to be unusual and that may reflect a MM in the IFI.
- 6) Reading the IFI, and considering whether anything has **come to the auditor's attention** that causes to believe that the IFI is not prepared, in all material respects, in accordance with the applicable FRF.

Note - Review of IFI ordinarily doesn't require corroborating the inquiries about litigation or claims. It is, therefore, ordinarily **not necessary to send an inquiry letter to the entity's lawyer**. **Direct communication with the entity's lawyer** with respect to litigation or claims **may, be appropriate** if a matter comes to the auditor's attention that causes the auditor to question whether the IFI is not prepared, in all material respects, in accordance with the applicable FRF, and the auditor believes the entity's lawyer may have pertinent information.

Subsequent Events

- **Inquire if Mgt. has identified all events** up to the review report date that may require adjustment or disclosure in the IFI.
- **No need** for the auditor to perform procedures for events occurring after the review report date.

Going Concern Assessment

- Inquire if **Mgt. has changed its assessment** of the entity's ability to continue as a going concern.

- If events or conditions **cast doubt** on the entity's ability to continue, the auditor:

- **Inquires** about **Mgt.'s plans**, their feasibility, and whether the outcome will improve the situation.
 - Considers the **adequacy of disclosure** in the IFI.
- Doubtful events **may have existed at the date** of the annual FS or may be identified during review procedures.
- **In such cases**, the auditor inquires about :
- **Mgt.'s plans for future actions**, like liquidating assets, borrowing money, restructuring debt, reduce or delay Expenditure or increase capital etc.
 - **Feasibility of Mgt.'s plans** and will it improve the situation but it is not required to corroborate the feasibility.

Question regarding Material Adjustments in IFI

If a matter arises that questions **whether a material adjustment** is needed for the IFI to comply with the FRF, the auditor:

- **Makes additional inquiries or performs procedures**.
- Examples include questioning the recording of a significant sales transaction as per applicable FRF and performing additional procedures to resolve uncertainties.

Evaluation of Misstatements

- Auditor should **evaluate**, individually and in the aggregate, whether **uncorrected misstatements that have come to the auditor's attention** are **material** to the IFI.
- Misstatements which come to the auditor's attention, including inadequate disclosures, are evaluated individually and in the aggregate to determine whether a **material adjustment is required** to be made to the IFI for it to be prepared, in all material respects, in accordance with the applicable FRF.
- Auditor **exercises professional judgment** in evaluating the materiality of any misstatements that the entity has not corrected.

Mgt. representations

Auditor should obtain W/R from Mgt. that:

- It **acknowledges** its **responsibility** for the design and implementation of internal control to prevent and detect fraud and error.
- IFI is **prepared & presented** in accordance with the applicable **FRF**.
- It has **disclosed** to the auditor **all significant facts** relating to any frauds or suspected frauds known to Mgt. that may have affected the entity
- It has **disclosed** to the auditor the **results of its assessment of the risks** that the IFI may be materially misstated as a result of fraud
- It has **disclosed** to the auditor all **known actual or possible NOCLAR** whose effects are to be considered when preparing the IFI; and
- It has **disclosed** to the auditor **all significant events** that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the IFI.

Auditor's Responsibility for Accompanying Info.

- Read** other info. that accompanies the IFI to consider whether **any such information is materially inconsistent** with the IFI.
- If the auditor identifies a **material inconsistency**, considers whether the IFI or the other information **needs to be amended**.
- Amendment is necessary in

IFI and Mgt. Refuses to make such amendment	auditor considers the implications for review report .
Other Info. and Mgt. Refuses to make such amendment	auditor considers including in the review report <ul style="list-style-type: none"> an additional paragraph describing the material inconsistency, or taking other actions, such as <u>withholding the issuance of the review report or withdrawing from the engagement.</u>

For ex- Mgt. may present alternative measures of earnings that more positively portray results of operations than the IFI, and such alternative measures are given excessive prominence, are not clearly defined, or not clearly reconciled to the IFI such that they are confusing and potentially misleading

MM of fact in Other info.

- If a matter comes to the auditor's attention that causes to believe that the **other information appears to include a MM of fact** (i.e., information, not related to matters appearing in the IFI, that is incorrectly stated or presented), the auditor **should discuss the matter with the Mgt.**
- When discussing** the matter with the entity's Mgt., the auditor
 - considers the **validity of the other information and Mgt.'s responses to the auditor's inquiries,**
 - whether **valid differences of judgment or opinion** exist and
 - whether to request Mgt.** to consult with a qualified 3rd party to resolve the apparent misstatement of fact.
- If an **amendment is necessary and Mgt. refuses** to make the amendment:
 - considers **taking further action** as appropriate- such as notifying TCWG and
 - obtaining a **legal advice.**

Communication

- When, a matter comes to the auditor's attention that causes to believe that it is necessary to make a **material adjustment to the IFI** should **communicate this matter** as soon as practicable to the **appropriate level of Mgt.**
- When Mgt. **doesn't respond** appropriately within a reasonable period of time, **inform TCWG.**
- Whether to communicate orally or in writing is affected by factors such as the **nature, sensitivity and significance of the matter** to be communicated and the **timing of such communications.** If the info. is **communicated orally-** documents the communication.
- When, in the auditor's judgment, **TCWG don't respond appropriately within reasonable period,** the auditor should consider:
 - Whether to **modify** the report or
 - Possibility of **withdrawing** from the engagement and
 - Possibility of **resigning** from the appointment to audit the annual FS.
- When, a matter comes to the auditor's attention that causes to believe in the **existence of fraud or NOCLAR,** **communicate** the matter as soon as practicable to the **appropriate level of Mgt.**
- The **determination of which level of Mgt.** is the appropriate one is affected by the **likelihood of collusion or the involvement of a member of Mgt.** Also, considers the need to report such matters to **TCWG** and considers the implication for the review.
- Communicate relevant **matters of governance interest** arising from **the review of IFI** with TCWG.
- Auditor may become aware of matters that in the opinion of the auditor are both important and relevant to TCWG in **overseeing the financial reporting and disclosure process.** Communicates such matters to TCWG.

Reporting the Nature, Extend and Results of the Review of IFI

Content of Written Report:

- An appropriate **title.**
 - An **addressee,** as required by the circumstances of the engagement.
 - Identification of the IFI reviewed,** including identification of the title of **each of the statements contained** in the complete or condensed set of FS and the **date and period** covered by the IFI.
 - If the IFI comprises a **complete set of general-purpose FS** prepared in accordance with a FRF designed to achieve fair presentation, a **statement that Mgt. is responsible** for the preparation and fair presentation of the IFI in accordance with the applicable FRF.
 - In other circumstances, a statement that Mgt. is responsible for the preparation and presentation of the IFI in accordance with the applicable FRF.
 - A statement that the **auditor is responsible** for expressing a conclusion on the IFI based on the review.
 - A statement that the **review of the IFI was conducted in accordance with Standard on Review Engagements (SRE) 2410** and a statement that that such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
 - A statement that a **review is substantially less in scope** than an audit and consequently **doesn't enable the auditor to obtain assurance** that the auditor would become aware of all significant matters that might be identified in an audit and that accordingly **no audit opinion is expressed.**
 - If the IFI comprises a **complete set of general purpose FS** prepared in accordance with a FRF designed to achieve fair presentation, a **conclusion as to whether anything has come to the auditor's attention** that causes the auditor to believe that IFI does not give a true and fair view, or does not present fairly, in all material respects, in accordance with the applicable FRF.
 - In **other circumstances,** a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the **IFI is not prepared,** in all material respects, in accordance with the applicable financial reporting framework
 - Date** of the report.
 - Place** of Signature.
 - Auditor's **signature** and **membership no** assigned by the (ICAI).
 - Firm's registration no.** of the member of the Institute, wherever applicable, as allotted by ICAI.
- Besides, UDIN has also to be generated and stated for review engagement as it is also in nature of an assurance engagement. UDIN has to be stated for engagements performed in accordance with SRE 2400 or SRE 2410.

Departure from the Applicable FRF

- If matters have come to the auditor's attention that cause to believe that the IFI is or may be materially affected by a **departure** from the applicable FRF, and **Mgt. doesn't correct** the IFI, the auditor **modifies the review report**.
- Modification **describes the nature of the departure** and, if practicable, states the **effects** on the IFI.
- If the info. that auditor **believes is necessary for adequate disclosure** is **not included** in the IFI, **modifies the review report** and, **includes the necessary info.** in the review report. The modification to the review report is ordinarily accomplished **by adding an explanatory paragraph** to the review report and qualifying the conclusion.
- When the effect of the departure is **so material and pervasive** to the IFI that the auditor **concludes a qualified conclusion is not adequate** to disclose the misleading or incomplete nature of the IFI, the auditor **expresses an adverse conclusion**.

Limitation on Scope

When auditor is unable to complete the review, he should communicate, in writing, to the appropriate level of Mgt. and to TCWG the reason **why the review cannot be completed** and consider whether it is appropriate to issue a report.

Limitation on Scope Imposed by Mgt.

- Auditor **doesn't accept** an engagement if circumstances indicates that the **he would be unable to complete** the review because there will be a limitation on the scope of imposed by the Mgt.
- If, **after accepting the engagement**, Mgt. imposes a limitation on the scope - auditor **requests the removal** of that limitation.
- If Mgt. **refuses** to do so, **communicates** to the appropriate level of **Mgt. and TCWG** the reason why the review cannot be completed.
- Also **considers the legal and regulatory responsibilities**, including **whether there is a requirement** for the auditor to issue a report. If there is such a requirement, **disclaims a conclusion**, and **provides in the review report the reason why the review cannot be completed**.
- However, if a matter comes to the auditor's attention that causes to believe that a **material adjustment** to the IFI is necessary for it to be prepared, in all material respects, in accordance with the **applicable FRF**, **communicates such a matter in the report**.

Other Limitations on Scope

- limitation on scope may occur due to circumstances other than a limitation on scope imposed by Mgt. In such circumstances, the auditor is ordinarily unable to complete the review and express a conclusion.
- There may be, however, some rare circumstances where the limitation on the scope of the auditor's work is clearly **confined to one or more specific matters** that, while **material**, are **not pervasive** to the IFI.
- Then, auditor **modifies the review report** by indicating that, except for the matter which is described in an explanatory paragraph to the review report, the review was conducted in accordance with this SRE, and by **qualifying** the conclusion.
- Auditor may have **expressed a qualified opinion** on the audit of the **latest annual FS** because of a limitation on the scope of that audit. Considers **whether that limitation on scope still exists** and, if so, the **implications for the review report**.

Going Concern and Significant Uncertainties

- If a **material uncertainty relating to an event or condition** comes to the auditor's attention that **may cast significant doubt on the entity's ability to continue as a going concern**, and **adequate disclosure is made in the IFI** the **auditor modifies the review report by adding an EOMP**
- Auditor may have modified a prior audit or review report by adding an **EOMP** to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.
- If the material uncertainty **still exists and adequate disclosure is made in the IFI**, **modifies the review report on the current IFI by adding a paragraph to highlight the continued material uncertainty**.
- If a material uncertainty that casts significant doubt about the entity's ability to continue as a going concern is **not adequately disclosed in the IFI**, should **express a qualified or adverse conclusion**, as appropriate. The report should include specific reference to the fact that there is such a material uncertainty.

Other Considerations

Inclusion of Review Report:

Terms of the engagement include **Mgt.'s agreement** that where any document containing IFI indicates that such info. has been reviewed by the auditor, **review report will also be included in the document**.

If not included the review report in the document, considers seeking legal advice to assist in determining the appropriate course of action in the circumstances.

Issuance of modified report

If the auditor has issued a **modified review report** and **Mgt. issues the IFI without including the modified review report** in the document containing the IFI, the auditor considers seeking **legal advice** to assist in determining the appropriate course of action in the circumstances, and the **possibility of resigning** from the appointment to audit the annual FS.

Condensed set of FS

IFI consisting of a **condensed set of FS** **doesn't necessarily include all the info.** that would be included in a complete set of FS, but may rather present an **explanation of the events and changes that are significant to an understanding** of the changes in the state of affairs and performance of the entity since the annual reporting date.

This is because it is **presumed that the users of the IFI will have access to the latest audited FS**, such as is the case with listed entities.

In other circumstances, the auditor discusses with Mgt. the **need for such IFI to include a statement that it is to be read in conjunction with the latest audited FS**.

In the absence of such a statement, considers whether, **without a reference to the latest audited FS**, the IFI is **misleading in the circumstances**, and the **implications for the review report**.