

**CA FINAL**

**HANDWRITTEN NOTES  
ADVANCED AUDITING**

**For MAY 24 & onwards**

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# CHAPTER - 10

## REVIEW OF FINANCIAL INFORMATION

### ★ Overview of Chapter :

#### ▶ Introduction : What is Review ??

Review is a limited assurance engagement.

In simple terms, limited assurance Eng. provides Lower level of assurance than audit.

It involves fewer procedures and gathers sufficient & Appro. Evidence (SAE) on basis of which limited conclusions can be drawn up.

However, 'review' is related to financial statements prepared on basis of Historical financial info. just like an audit.

#### ▶ Standards on Review Engagements :

Standards on Review Engagements (SRE) apply where "Review" of financial info. is undertaken by Practitioner.

It is worth remembering that SQC<sub>s</sub> are to be applied for all services covered by Eng. Stds. and SRE<sub>s</sub> are part of Eng. std.

Therefore, Quality Control at the level of individual review engagement is premised on basis that firm is subject to SQC-1.

#### ▶ Standards which are covered in this chapter :

→ SRE 2400 : Engagement to review Historical financial statement

→ SRE 2410 : Review of Interim financial information performed by Independent Auditor of Entity.

SRE 2400 : Engagements to Review Historical Financial StatementsConcept 1 : Introduction to SRE 2400Concept 2 : Objectives & Ethical Requirements ComplianceConcept 3 : Factors affecting Acceptance & Continuance of Client relationship and Review Eng.Concept 4 : Pre-conditions for Accepting a review Eng.Concept 5 : Agreeing to Terms of Eng.Concept 6 : Performing the Review Eng.Concept 7 : Forming Practitioner's Conclusion.Concept 8 : Practitioner's ReportConcept 9 : Other Reporting ResponsibilitiesConcept 10 : Documentation.Concept 11 : Audit vs. ReviewConcept 1 Introduction to SRE 2400

SRE 2400 deals with

- The Practitioner's responsibilities when he is not auditor of Entity & Perform review of HFS.
- The form & Content of Practitioner's report.

- In review of FS, Practitioner Express Conclusion to Enhance Confidence of intended users regarding preparation of FS with FRF using general purpose or special purpose FRF.
- Practitioner performs inquiry & analytical procedures to obtain suff. & App. Evidence as basis for conclusion on FS as a whole. He designs additional procedures & perform if practitioner becomes aware that FS may be materially misstated.

Concept 2 Objectives & Ethical requirements Compliance

Objective :

- i) Obtain limited assurance primarily by making inquiry & analytical procedures whether FS as a whole free from material misstatements. to Express a Conclusion.
- ii) Report on FS as a whole & Communicate.

Ethical requirement: Practitioner shall comply with relevant ethical requirements including independence.  
The Eng. partner is responsible for overall quality for each review engagement.

Concept 3 Factors affecting Acceptance & Continuance of Client relationships & Review Engagement

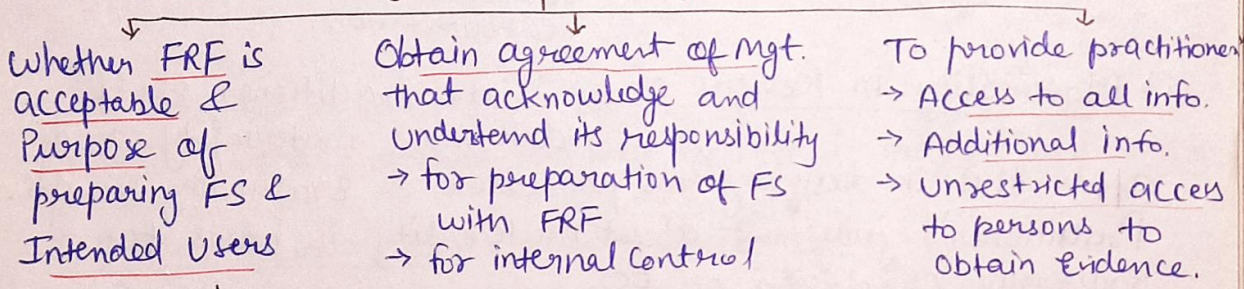
Unless required by law or regulation, the practitioner shall not accept a review engagement if:

- (a) Practitioner is not satisfied that
- (b) Practitioner has reason to believe that ethical req. will not be satisfied.
- (c) Practitioner's preliminary understanding indicates that info. needed to perform review Eng. is likely to unavailable or unreliable.
- (d) Practitioner has cause to doubt Mgt.'s integrity.
- (e) Mgt. or TCWG impose a limitation on scope of his work.

There is a national purpose for Eng.  
Review Eng. would be appropriate.

Concept 4 Pre-Conditions for Accepting a Review Engagement

Prior to accepting a review Eng., the Practitioner shall



If Practitioner is not satisfied then discuss with Mgt. or TCWG

If changes not satisfied then Practitioner shall not accept Eng. Unless req. by law & reg.

\* अगर Law & reg. की वजह से Eng. conduct होता है तो Practitioner अपनी report में नहीं लिख सकता है कि ये Review SRE के according हुआ है।

\* अगर Eng. accept करने के बाद ये satisfied ~~हो~~ नहीं हुआ then discuss with Mgt. or TCWG & shall determine:

- whether matter can be resolved
- whether Appropriate to Continue Eng.
- How to Communicate in report.

## Concept 5 | Agreeing to terms of Engagement

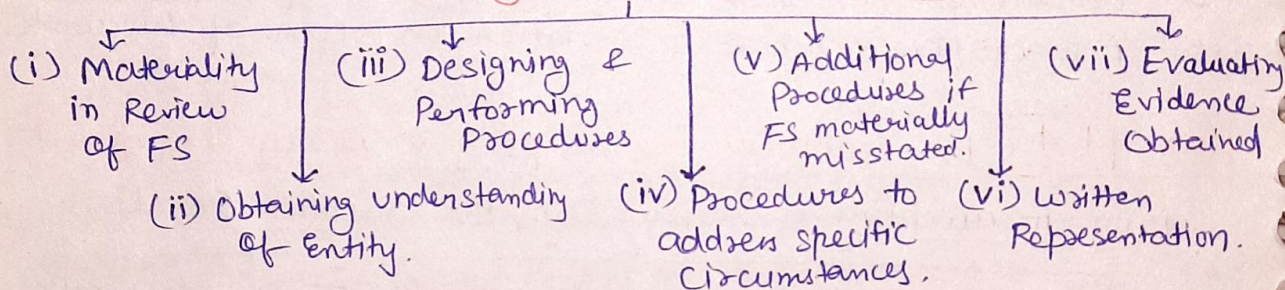
The Practitioner shall agree to terms of Engagement with Mgt. or TCWG, prior to performing Engagement. and terms shall be recorded in Eng. letter or other suitable written agreement.

On recurring review Eng., the practitioner shall evaluate changes in Eng., require any terms to be revised and need to remind existing terms to Mgt. or TCWG.

\* Practitioner को कोई भी change के लिए agree नहीं करना चाहिए जब तक reasonable justification न हो।

\* If terms are changed, then Practitioner & Mgt. or TCWG shall agree on and record new terms of Eng. in Eng. letter or any suitable written agreement.

## Concept 6 | Performing the Review Engagement



(i) Materiality in Review of FS: The Practitioner shall determine materiality and apply this in designing the procedure & Evaluating results. Practitioner's judgement about materiality is basis for expressing conclusion on FS. Practitioner shall revise materiality if he aware of any info. which determine different amount of materiality.

(ii) Obtaining understanding of Entity: Understand Entity & its Environment and applicable FRF to identify areas in FS where material misstatements likely to arise & provide a basis for designing procedures to address those areas.

(iii) Designing & Performing Procedures :

→ In obtaining Suff. & App. Evidence for conclusion on FS, Practitioner shall design & perform Inquiry & Analytical Proc.

↓  
To address all material items in FS including disclosures

AND

↓  
To focus on addressing areas in FS where material misstatement likely to arise

- These procedures are designed to enable practitioners to achieve objective of SRE.
- Practitioner may deem it necessary to perform other Proc. doesn't alter practitioner's obj. of obtaining limited assurance.
- He may consider reviewing along records with view to identify significant or unusual txn. that may require specific attention.

\* Inquiry : It includes seeking info. from Mgt. & other person, as practitioner consider appropriate.

It may include matters such as -

- Making along estimates
- Identification of related parties
- Significant, complex or unusual txn.
- Existence of any actual, suspected or alleged fraud
- Events b/w date of FS & practitioner's report.
- Ability of Mgt. as going concern.
- Material commitments.
- Material Non-monetary txn.

Evaluating the responses provided by Mgt. is integral to inquiry process.

Inquiry may also include inquiry about -

- Actions taken at meeting of owners, TCWG & Committees.
- Communications received or expected to receive from regulatory agencies.
- Matters arising in course of applying other procedures.

When performing further inquiries in relation to identified inconsistencies, the practitioner consider reasonableness and consistency of Mgt. responses.

★ Analytical Procedures : In designing analytical procedures, the Practitioner shall Consider whether the data from Entity's a/cing system & records are adequate for purpose of performing these procedures.

★ Why "Inquiry" & "Analytical procedures" are important in Review ??

Inquiry is important :- Info. available to support Mgt. intent may be limited. But Evidence obtained through inquiry is principal source of Evidence about Mgt. intent.

Some actions may provide relevant info. to corroborate the Evidence obtained through inquiry :

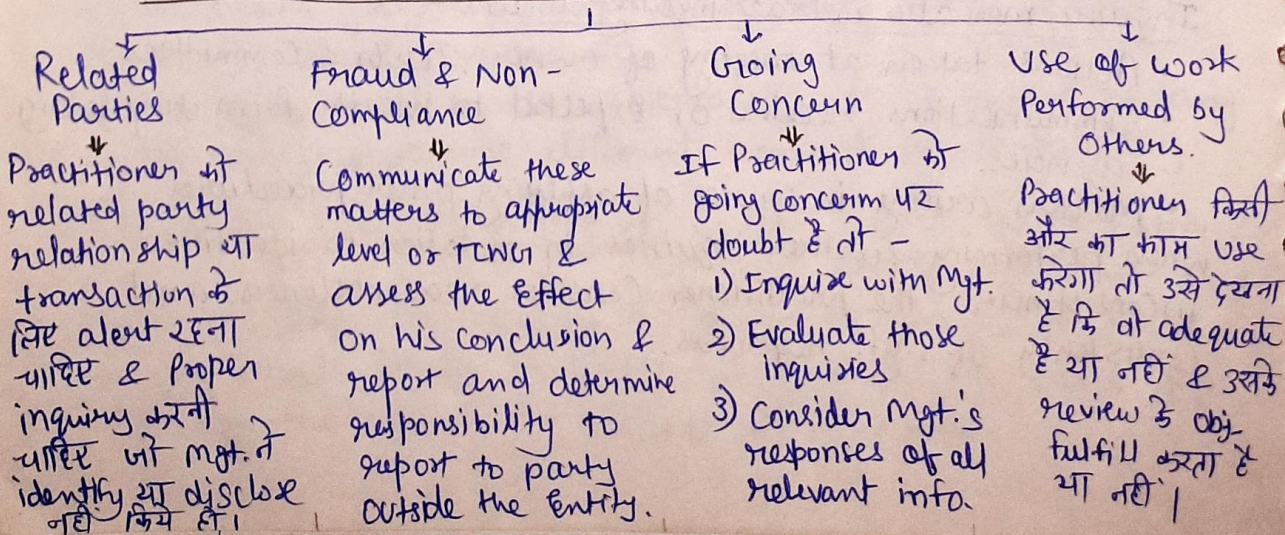
- Understand Mgt. Past history
- Mgt. reason for choosing particular Course of action.
- Mgt. ability to pursue action.

Application of Professional Skepticism to Evaluate Mgt.'s responses is important.

Performing Analytical procedures assist practitioner in :-

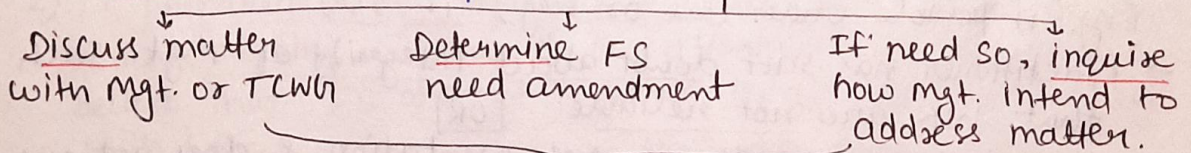
- Obtaining or updating practitioner's understanding of Entity & Environment.
- Identifying inconsistencies or variance from Expected trends, values or norms in FS.
- Providing corroborative Evidence in relation to other inquiries or analytical procedures.

(iv) Procedures to address specific circumstances :



(V) Additional Procedures when FS may be materially misstated:

- If practitioner becomes aware of matters that believe that FS are materially misstated then He shall design & perform Additional procedures to :
- (Matters select करने हैं जिससे FS misstate हो रही है या नहीं हो रही है)
- Conclude matter is not likely to cause FS materially misstated.
  - Determine matter cause FS to be materially misstated.
- Practitioner's response will vary & depending on circumstances and is matter of practitioner's judgement.
- Additional procedures focus on obtaining suff. App. Evidence to Enable practitioner to form a Conclusion. Procedures may be:
- Additional inquiry or Analytical procedures
  - Other types of procedure eg. Substantive test of details or External Confirmations.
- If Practitioner become aware of Events occurring b/w date of FS & date of Practitioner's report & that require adjustment or disclosure → Practitioner shall request mgt. to correct.
- Practitioner has no obligation after date of Practitioner report but any fact becomes known to practitioner that may have caused to amend report then He shall :



If Mgt. doesn't amend where Practitioner believe need to amended He shall Notify Mgt. or TCWG 'not' to issue FS before amendment

↓

If issued without amendment, Practitioner shall take appropriate action

- (Vi) Written Representation : written representation are an important source of evidence in a review Engagement. If Mgt. modifies or does not provide requested written representations, it may alert practitioner to possibility of existence of significant issues.
- Request of written repres. Enhance quality and Mgt. Consider it rigorously.

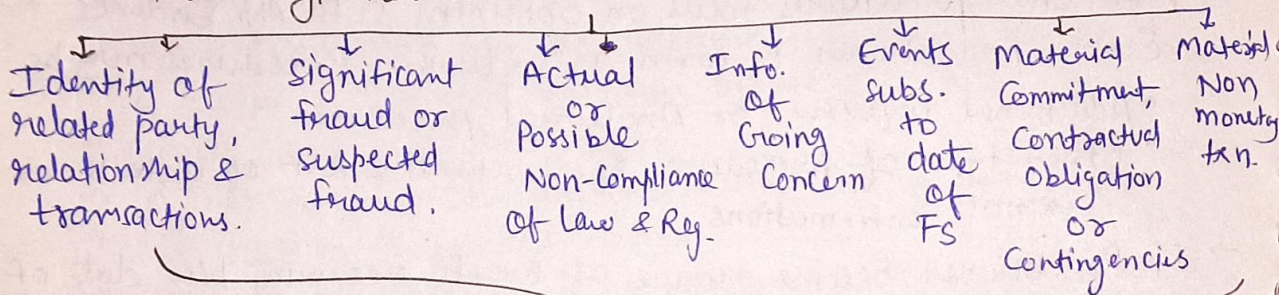
(WR)  
Written representation shall include

Responsibility of Mgt. to prepare FS with FRF & they provide & access to all relevant info. to practitioners.

All txn. have been recorded & reflected in FS.

\* Law & reg. requires that mgt. को उनकी responsibility written public statement में देना है then all written repres. में include करने की need नहीं है।

\* Practitioner shall also request mgt's written representation that mgt. has disclosed to Practitioner :



If Mgt. does not provide requested representation, Practitioner shall

- Discuss with mgt. & TCWR as appropriate
- Re-evaluate integrity of mgt.
- Take appropriate actions & determine effect on conclusion.

\* Practitioner shall disclaim a conclusion OR withdraw from Eng. (if possible under law or reg.) if :

- Practitioner has suff. doubt about integrity of mgt. such that WR are not reliable OR
- Mgt. does not provide reg. representation & does not record all txn. in FS.

(vii) Evaluating Evidence obtained from procedure performed :

Practitioner को evaluate करना है कि जो Procedures perform किये उसके Suff. App. Evidence obtain हुए या नहीं, if not then he may :

- Extend work performed
- Perform other procedures

अगर कुछ की Practicable नहीं है, तो ही suff. App. Evidence की Conclusion form कर लिये तो He shall discuss with mgt. or TCWR.

## Concept 7 Forming Practitioner's Conclusion

In forming conclusion, the Practitioner shall also consider impact of:

- Uncorrected misstatements identified during reviews on FS
  - Qualitative aspects of a/cing practices
  - Overall presentation, structure & content of FS
  - FS represent txn. & Events in manner to achieve fair presentation OR gives true & fair view
- Both of these considerations if FS prepared using fair pres framework.

### ★ Unmodified Conclusion

Practitioner shall express unmodified conclusion when he has obtained limited assurance to be able to conclude that nothing has come to practitioner's attention that causes practitioner to believe that FS are not prepared in all material respect with FRF.

He uses one of the following phrases :

- 1) FS prepared using Fair Presentation Framework : "Based on our review, Nothing has come to our attention that causes us to believe that FS do not give true & fair view (or do not present fairly, in all material respect), with FRF." OR
- 2) FS prepared using Compliance Framework : "Based on our review, Nothing has come to our attention that causes us to believe that FS are not prepared in all material respect with FRF."

### ★ Modified Conclusion

→ When should Practitioner express modified <sup>Conclusion</sup> ~~opinion~~ on FS as whole?

Practitioner determines that FS materially misstated based on procedures performed & evidence obtained.

Practitioner is unable to obtain sufficient & appropriate evidence in relation to items of FS that are material.

→ What should practitioner do when expressed modified conclusion?

Use the heading "Qualified" / "Adverse" / "Disclaimer" Conclusion as appropriate in his report.

AND

Provide description of matter of modification is separate para immediately before conclusion para in his report.

(A) When FS are materially misstated, He Express

Qualified Conclusion

When Practitioner concludes that effect of matters are Material but Not Pervasive to FS.

Use One of the following Phrases:

→ FS using fair present. framework OR Compliance framework

Same as unmodified conclusion phrases But add 1 line:

EXCEPT FOR EFFECTS OF MATTERS DESCRIBE IN BASIS FOR QUALIFIED CONCLUSION PARA.

Adverse Conclusion

When effect of matter are both Material and Pervasive to FS.

Use one of the following phrases:

→ FS using fair presentation or Compliance framework

Same as unmodified conclusion phrases But add 1 line:

DUE TO SIGNIFICANCE OF MATTER DESCRIBE IN BASIS FOR ADVERSE CONCLUSION PARA.

For material misstatements in Both Conclusions, Practitioner shall:

- Describe & Quantify financial effects unless impracticable.
- Explain how disclosures are misstated.
- Describe Nature of omitted info.

(B) Inability to obtain Sufficient & Appropriate Evidence, He shall

Qualified Conclusion

If Practitioner concludes that possible effects on FS of undetected misstatements if any could be material but not pervasive

Use following phrases:

→ FS prepared using fair present. or Compliance framework

Same as unmodified conclusion phrases but add 1 line:

EXCEPT FOR EFFECTS POSSIBLE OF MATTERS DESCRIBE IN BASIS FOR QUALIFIED CONCLUSION PARA.

Disclaimer Conclusion

If Possible effects on FS of undetected misstatement if any, could be both material & pervasive.

Use following phrases:

(a) Due to significance of matter described in basis for Disclaimer of Conclusion para, Practitioner is unable to obtain suff. app. Evidence to form a conclusion on FS.

(b) Practitioner **AND** does not Express a conclusion on FS.

एक ही Conclusion हो But reason बताता होगा Inability का।

Note: Practitioner shall withdraw from engagement if following conditions are present :-

(a) ↓  
Due to limitation on scope of review imposed by mgt. after accepting Eng. & Practitioner is unable to obtain SAE.

(b) ↓  
Practitioner determined that possible effect of undetected misstatements are Material & Pervasive.

(c) ↓  
Withdrawal is possible under applicable Law & Reg.

## Concept 8 / Practitioner's Report

- 1.) Title clearly indicate report of an independent practitioner.
- 2.) Addressee, as required by circumstances.
- 3.) Introductory Paragraph
  - Identify FS reviewed, title of each statement, date & period covered by each FS.
  - Refers to summary of significant a/cing policies & other explanatory info.
  - states that FS have been reviewed.
- 4.) Management responsibility
  - Preparing FS with applicable FRF & fair presentation.
  - Internal Control which is necessary to enable that FS are free from material misstatements.
- 5.) If FS are special purpose FS
  - Purpose, intended users and reference to note in FS which contain that information.
  - If mgt. has choice of FRF, तो वो FRF acceptable है या नहीं उसका Explanation reference देना mgt. की responsibility है।
- 6.) Practitioner's Responsibility  
To Express a conclusion on FS including reference to this SRE & Law and Reg. (where relevant.)
- 7.) Description of review of FS & its limitation & statements:
  - Review eng. under this SRE is limited assurance eng.
  - Practitioner Perform procedures & these include inquiry of mgt. & others, applying analytical procedures & Evaluate evidence obtained.
  - Procedures are less than performed in audit so practitioner does not Express audit opinion on FS.

- 8.) Conclusion Contain that Conclusion on FS as a whole as appropriate and reference to FRF which used to prepare FS.
- 9.) Modified Conclusion then appropriate heading that Contain modified conclusion as appropriate and description of matters of modification.
- 10.) Ethical requirement Complied by practitioner reference.
- 11.) Date of Practitioner's Report Not earlier than date of obtaining suff. App. Evidence as being satisfied that all statements have been prepared.
- 12.) Practitioner's Signature
- 13.) Place of Signature
- 14.) Emphasis of Matter and Other Matter Para in Report

→ Practitioner may consider it necessary to draw user's attention to a matter which is important to user's understanding of FS in practitioner's judgement.

In such cases Practitioner include Emphasis of matter para. Such para shall refer only to info. presented or disclosed in FS. This para is after conclusion para in practitioner's report.

→ If Practitioner consider it necessary to communicate a matter other than those are presented & disclosed in FS is relevant to user's understanding in practitioner's judgement. In such cases Practitioner include other matter paragraph.

### Concept 9 Other Reporting Responsibilities

A Practitioner may be requested to address other reporting responsibilities in practitioner's report which are in addition ~~to~~ to those responsibilities under this SRE.

In such situations, Practitioner shall report these responsibilities in his report in separate section named "Report on other legal & regulatory requirements" or otherwise as appropriate.

## Concept 10 | Documentation

Documentation provides Evidence that review was performed with SRE along with legal & regulatory req.

Practitioner shall document following aspect of Engagement :-

- NTE of procedures performed : In this practitioner shall record
  - who performed work & date of completion
  - who reviewed work for quality purpose
- Results obtained from procedures & practitioner's Conclusion
- Significant matters, practitioner's Conclusion, and Judgement.
- Also document Communication with Mgt., TCWG

## Concept 11 | Audit vs. Review

<u>Basis</u>	<u>Audit</u>	<u>Review</u>
Assurance	Audit provides <u>reasonable level of assurance</u> .	Review provides a <u>lower level of assurance</u> than reasonable assurance.
Procedures	It performs <u>elaborate and extensive procedures</u> including test of controls and substantive procedures.	It performed <u>fewer procedures</u> primarily focusing on inquiry & Analytical procedures.
Conclusion	It draws <u>reasonable Conclusion</u> on basis of <u>sufficient Appropriate Audit Evidence</u> .	It draws <u>limited conclusion</u> on the basis of <u>Suff. App. Evidence</u> .
Wording	It provides assurance opinion & its language is <u>positively worded</u> .	It provides assurance Conclusion & its language is <u>Negatively worded</u> .

## SRE 2410 : Review of Interim Financial Information Performed by Independent Auditor

Concept 1 : What is Interim Financial Information (IFI)

Concept 2 : Objective in accordance with SRE 2410

Concept 3 : Process of SRE 2410

3(i) : Agreeing Terms of Engagement

3(ii) : Understanding of Entity & its Environment including its internal control

3(iii) : Inquiries, Analytical & other review procedures

3(iv) : Evaluation of misstatements

3(v) : Management Representations

3(vi) : Auditor's Responsibilities

3(vii) : Communications

3(viii) : Reporting

Concept 4 : Other concepts related to Modification

Concept 5 : Documentation

### Concept 1 What is interim financial information (IFI)??

SRE 2410 deals with auditor's professional responsibilities when auditor undertakes Eng. to review IFI.

In other words, SRE 2410 applies when review of IFI is performed by independent auditor of FS of Entity.

Interim fin. info. : It is fin. info. that is prepared and presented in accordance with FRF and comprises either complete or condensed set of FS for a period shorter than Entity's F.Y. for eg. Quarterly.

### Concept 2 Objective in accordance with SRE 2410

To enable auditor to express Conclusion if he believes that IFI is not prepared in all material respect with FRF.

To reduce moderate level of risk of expressing an inappropriate conclusion when IFI is materially misstated, Auditor makes inquiry & perform procedure like Analytical & Review procedure.

- ★ Objective of a review of IFI differs significantly from audit conducted with SA<sub>3</sub>.  
Review does not provide basis of expressing opinion whether Fin info. gives true & fair view or is presented fairly in all material respect with FRF.
- ★ Review is not designed to obtain reasonable assurance that IFI is free from material misstatements.

### Concept 3] Process of SRE 2410

#### Concept 3(i) : Agreeing Terms of Engagement

Auditor and Client should agree on terms of Engagement. These terms are ordinarily recorded in Engagement letter.

Such communication helps to avoid misunderstanding of :-

- Nature of Eng.
- Objective & Scope of review
- Mgt.'s responsibilities
- Auditor's responsibilities
- Assurance obtained
- Nature & Form of report.

#### Concept 3(ii) : Understanding Entity & its Environment including internal control (IC)

Auditor should have understanding of Entity & Environment including IC as it relates to preparation of both annual & interim fin. info. to Plan and conduct Eng. so as to be able to :

- (a) Identify potential material misstatements & likelihood of their occurrence
- (b) select inquiry, analytical & review procedures for reporting that IFI is not prepared in all material respect with FRF.

In planning a review of IFI, auditor updates this understanding. Auditor also obtains sufficient understanding of IC as it may differ from internal control of Annual fin. info.

Some procedures performed to update understanding of Entity & its Environment including IC ordinarily include :

Here some procedures about Read, some about consider & some about inquire as follows :-

ProceduresRead

- 1) Documentation of preceding period audit & review
- 2) Most recent annual & comparable prior period IFI.

Consider

- 1) Significant risk
- 2) Materiality
- 3) Nature of corrected material misstatements & uncorrected immaterial misstatements.
- 4) Significant financial alcing & reporting matters.
- 5) Result of internal audit performed and subsequent action taken by Mgt.

Inquire

⊕ Inquiring about Management :-

- 1) About result of Mgt.'s assessment of risk that IFI may be materially misstated.
- 2) About Effect of changes in business activities.
- 3) About significant changes in IC & Effects of change.
- 4) About process of preparing IFI & reliability of records.

### Concept 3(iii) : Inquiries, Analytical & other Review procedures

- The auditor should make inquiries & perform analytical and other review procedures to check that whether IFI is not prepared in material respect with FRF.
- Review ordinarily doesn't require test of alcing records. Procedures for performing review of IFI are ordinarily limited to Inquiry, Analytical & other review procedures.
- Auditor's understanding of Entity, Environment, IC, result of risk assessment & materiality affects Nature & Extent of Inquiries made & analytical and other review procedures applied.

The Auditor ordinarily performs the following procedures :-

#### ★ Read

- 1) Minutes of meeting of shareholder, TCWG & other appropriate committees to identify matter affecting IFI & ~~data~~ inquiry of matter not available in minutes which affect IFI.

★ Considering effect of matters giving rise to Modification of audit or review report, A/cing adjustments or unadj. misstatements.

★ Inquiring of members of management about following :

- 1) Whether IFI prepared & presented with FRF.
- 2) Whether any changes in a/cing ~~policy~~ principles & methods.
- 3) Whether New txn. need application of new a/cing principle.
- 4) Whether IFI Contain known uncorrected misstatements.
- 5) Unusual or Complex situation affected IFI Eg. - B/S Combination
- 6) Significant assumption for fair value measurement or disclosure
- 7) Mgt.'s intention & ability to carry out specific course of action.
- 8) Related party txn. accounted & disclosed appropriately in IFI.
- 9) Significant changes in  $\left\{ \begin{array}{l} \rightarrow \text{Commitment \& contractual obligation} \\ \rightarrow \text{Contingent liab. including litigation or claims.} \end{array} \right.$
- 10) Matters about which question arisen for applying review procedures.
- 11) Significant txn. occurring in last several days of interim period or first several days of next interim period.
- 12) Knowledge of fraud or suspected fraud involving Mgt., Employee
- 13) Knowledge of allegation of fraud or suspected fraud affecting IFI communicated by Employees, former employees, analyst, regulator or others.
- 14) Knowledge of actual or possible non-compliance with laws & Regulations.
- 15) Compliance with debt Covenants.

★ Applying analytical procedures designed to identify unusual relationships and individual items & they reflect material misstatements in IFI.

★ Communicating with other auditors who are performing review of IFI of reporting entities significant components.

★ Reading IFI and Considering whether anything has come to auditor's attention that cause to believe that IFI is not prepared in all material respect with FRF.

→ Auditor may perform ~~may~~ many of review procedures before or simultaneously with preparation of IFI.

The auditor performing review of IFI is also engaged to perform audit of annual fin. statements. For convenience and efficiency, auditor perform certain procedures concurrently with review of IFI.

→ Review of Interim fin. info. ordinarily does not require corroborating inquiries about litigations or claims. So ordinarily Entity के lawyers से inquiry letter भेजने की जरूरत नहीं है।

But auditor direct comm? कर सकता है lawyer से अगर उसको लगा कि IFI is not prepared in all material respect with FRF and auditor से believe हो कि lawyer के पास information होगी।

→ Auditor may obtain evidence that whether IFI agrees or reconcile with underlying records by tracing general ledger or Consolidating schedule or other supporting data as necessary.

→ The Auditor should inquire:

whether Mgt. has identified all events upto review report date that may require Adj. or disclosure in IFI.

whether Mgt. has changed assessment of Entity's ability of going concern. If Auditor has significant doubt of going concern then auditor should:

(a) Inquire of Mgt. of its plan for future actions, feasibility of plans & Mgt.'s believe that outcome of plans will improve situations.

(b) Consider adequacy of disclosures about such matters in IFI.

### Concept 3 (iv) : Evaluation of Misstatements

The auditor should evaluate individually or in aggregate whether uncorrected misstatement are material to IFI that came to auditor's attention & these misstatements are evaluated whether adj. is required in IFI in all material respect with FRF.

Auditor Exercises Professional judgement in evaluating materiality.

Concept 3(v) : Management Representation

The auditor should obtain written representation from management that :

- 1) Acknowledgement of responsibility for design & implementation of IC to prevent & detect fraud and error.
- 2) IFI is prepared & presented with FRF.
- 3) It believes that effect of uncorrected misstat. are immaterial so a summary of such item is included in or attached to WR.
- 4) Disclosed all significant facts related to fraud.
- 5) Disclosed assessment of risk that IFI may be materially misstated.
- 6) Disclosed all known actual or possible non-compliance with laws & reg.
- 7) Disclosed all relevant significant events occurred subsequent to BLS date & through to date of review report that may require adj. or disclosure in IFI.

Concept 3(vi) : Auditor's responsibility

→ Auditor should read other info. to consider whether any such info. is materially inconsistent with IFI.

↓  
If auditor identified material inconsistency, he considers whether IFI or other info. needs to be amended.

↓  
If amendment necessary in IFI & mgt. refuses to make amendment

↓  
Auditor considers implications for review report.

↓  
If amendment necessary in other info. & mgt. refuses to make amendment

↓  
Auditor considers additional para of material inconsistency or taking other actions like withholding issuance of review report or withdraw from Eng.

- If other info. appear to include material misstatement, auditor should discuss with Entity's mgt. when discussing with mgt. whether valid differences of judgement & opinion exist & to request mgt. to consult with qualified 3<sup>rd</sup> party to resolve apparent misstatement.
- If mgt. refuses to make amendment, auditor take further action & obtain legal advice.

### Concept 3 (vii) : Communication

- Auditor should Communicate to appropriate level of Mgt. if he believes that IFI is not prepared in all material respect with FRF.
- In auditor's judgement, if Mgt. doesn't respond appropriately within time, auditor should inform TCWG either orally or in writing which is affected by nature, sensitivity & significance of matter.
- If TCWG don't respond appropriately within time, then Auditor should consider :

(a) Modify report OR (b) Possibility of withdraw from Eng. AND (c) Possibility of resign from audit of Annual FS.

- As a result of performing review of IFI, auditor believe in existence of fraud OR non-compliance with laws & reg., he should communicate to appropriate level of Mgt. & it is determined by likelihood of collusion or involvement of members of Mgt.

### Concept 3 (viii) : Reporting Nature, Extent and Result of Review of IFI

Auditor should issue written report that contains :-

- (a) An appropriate Title.
- (b) An Addressee
- (c) Identification of IFI & title of each set of statements & date and period covered by IFI.
- (d) Statement that Mgt. is responsible for preparation and fair presentation of IFI with FRF.
- (e) Statement that Auditor is responsible for Expressing Conclusion.
- (f) Statement that review was conducted with SRE 2410 and such review consist of making inquiries & apply analytical & other review procedures.
- (g) Statement that review is substantially less in scope than audit & does not enable auditor to obtain assurance & accordingly no audit opinion is expressed.

(h) If IFI is prepared with FRF designed to achieve fair present then a conclusion as to whether anything has come to auditor's attention that causes to believe that IFI does not prepare & present fairly or does not give true & fair view with applicable FRF.

(i) Date of report

(j) Place of signature

(k) Auditor's signature & Membership No. (issued by ICAI).

(l) Firm's reg. No. of member of institute

### Concept 4 Other Concepts related to Modification

#### 1. Departure from applicable FRF

→ If Auditor believes that material adj. should be made to IFI for ~~pre~~ preparation in all material respect with FRF.

Auditor should Express <sup>↓</sup> Qualified or adverse Conclusion.

→ If matters come to auditor's attention that IFI is or may be materially affected by departure from FRF & Mgt. does not Correct then → Auditor modifies review report.

Modification describes nature of departure & effect on IFI.

→ If info. is necessary for adequate disclosure is not included in IFI then → Auditor modifies review report and include info. in review report (if practicable) and Qualify Conclusion.

When effect of departure is so material & Pervasive that Auditor concludes a Qualified Conclusion is not adequate for disclosing misleading or incomplete nature of IFI then Auditor Expresses an adverse Conclusion.

#### 2. Limitation on scope

A limitation on scope ordinarily prevents auditor from completing review. When auditor is unable to complete, he should communicate with appropriate level of Mgt. or TCWG with reasons.

## Limitation on Scope

### Imposed by Mgt.

Auditor doesn't accept Eng. to review  
अगर उसको लगता है कि जो review नहीं  
कर पाएगा & limitation on Scope होगा।  
After accepting, Mgt. impose limitation  
then auditor request to remove,  
if Mgt. refuses to remove then  
auditor Express Conclusion & Communicate  
matters to appropriate level of Mgt.  
or TCWG.

और जो कुछ Auditor को लगे कि IFI  
में material adv. की need है तो जो  
Communicate कर सकता है।

Auditor also considers legal &  
regulatory responsibilities whether  
any requirement to issue report,  
if YES, then auditor disclaim  
Conclusion & provide reasons of  
not Completing review.

### 3. Going Concern and Significant Uncertainties

As a result of inquiries or other review procedures, if any  
material uncertainty to continue going concern and adequate  
disclosure is made, then Auditor modifies review report. by  
adding EOM para.

अगर Previous audit या review में या material uncertainty था &  
it still exist then ये current report में modify होगा।  
ये material uncertainty IFI में adequately disclose नहीं हुई है तो  
Auditor should Express qualified or adverse Conclusion as  
appropriate.

4. Other Considerations : Apart from above, कुछ भी ऐसी info. मिली  
है जो correct नहीं है then Mgt. से discuss करो & if Mgt. refuses  
then modify report.

Concept 5 / Documentation : Auditor should prepare review documentation  
that is suff. & App. to provide Conclusion & Evidence to Perform review with  
SRE & Law and regulatory req.

### Other limitation on Scope

Limitation may occur due  
to circumstances other  
than limitation imposed  
by Mgt.

In such circumstances,  
auditor is unable to  
Complete review and  
Express a conclusion.

Such circumstances are  
not pervasive in auditor's  
judgement then auditor  
modifies review report  
indicating that :-

Except for matters which  
describe in Explanatory  
para, the review was  
Conducted with SRE.