

SRE 2400 "ENGAGEMENTS TO REVIEW HISTORICAL FINANCIAL STATEMENTS"

Scope of SRE 2400

SRE 2400 deals with:

- Practitioner's responsibilities when engaged to perform a review of historical F.S., when the practitioner is **not the auditor** of the entity's F.S.; and
- Form and Content of the practitioner's report on the F.S.

Engagement to Review Historical F.S.

- Practitioner performs primarily **inquiry and analytical procedures** to obtain sufficient appropriate evidence as the basis for a conclusion on the F.S.
- If the practitioner becomes aware of a matter that causes him to believe the F.S. may be materially misstated, he may design and performs **additional procedures**, as considers necessary in the circumstances, to be able to conclude on the F.S. (Inc= AI, or Other procedures) (Withdraw or Modified opinion)

Objectives

Practitioner's objectives in a review of F.S. under this SRE are to:

- Obtain limited assurance, primarily by performing inquiry and analytical procedures, about whether the F.S. as a whole are free from material misstatement, whether due to fraud or error and
- Report on the F.S. as a whole and communicate, as required by this SRE.

In all cases when limited assurance cannot be obtained and a qualified conclusion is insufficient, practitioner either disclaim a conclusion or withdraw from the engagement.

Ethical Requirements

Practitioner shall comply with relevant ethical requirements, including those pertaining to independence and the EP is responsible for overall quality of each review engagement.

Acceptance and Continuance of Client Relationships and Review Engagements

(a) Factors affecting **Acceptance and Continuance** of Client Relationships and Review Engagements

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

- The Practitioner is not satisfied:
 - (1) That a review engagement would be **appropriate** in the circumstances;
 - (2) That there is a **rational purpose** for the engagement; or
- Circumstances indicates that **information** (SAE) needed to perform the review engagement is likely to be unavailable or unreliable;
- Practitioner has cause to doubt management's **integrity**;
- Practitioner has reason to believe that relevant **ethical requirements**, including independence, will not be satisfied;

- Management or TCWG impose a **limitation on the scope** such that the practitioner believes the limitation will result in the practitioner disclaiming a conclusion on the F.S.

(b) Preconditions for Accepting Review Engagement (same)

Prior to a Accepting a review engagement, the practitioner shall:

- Determine whether the FRF applied in the preparation of the F.S. is acceptable.
- Obtain the agreement of management that it acknowledges and understands its responsibilities:
 - (1) For preparation of F.S. in accordance with applicable FRF;
 - (2) For such internal control which is necessary to enable the preparation of F.S. that are free from material misstatement, whether due to fraud or error; and
 - (3) To provide practitioner with:
 - (i) Access to all information of which management is aware that is relevant to the preparation of the F.S., such as records, documentation and other matters;
 - (ii) Additional information that the practitioner may request from management for the purpose of the review; and
 - (iii) Unrestricted access to persons within the entity from whom practitioner determines it necessary to obtain evidence.

(c) Agreeing the Terms of Engagement (same)

- Practitioner shall agree terms of the engagement with management or TCWG, as appropriate.
- Agreed terms shall be recorded in an engagement letter or other suitable form of written agreement.
- In case of recurring engagements, practitioner shall evaluate whether circumstances require the terms to be revised and whether there is a need to remind management or TCWG of existing terms.
- If, prior to completing review engagement, practitioner is requested to change the terms of engagement, he shall determine whether there is reasonable justification for doing so. Practitioner shall not agree to a change, where there is no reasonable justification.
- If the terms of engagement are changed during the course of the engagement, practitioner and the management or TCWG, shall agree on and record the new terms of engagement in an engagement letter or any other suitable form of written agreement.

Performing the Engagement

(a) Materiality in a Review of F.S. (MCQ)

- The practitioner’s judgement about what is material in relation to the FS as a whole is the **same regardless of the level of assurance** obtained by a practitioner. (MCQ)
- Revise materiality in the event of becoming aware of information during the review that would have caused him to have determined a different amount initially. (same)

(b) Obtaining Understanding of entity (same)

The practitioner shall obtain an understanding of the entity and its environment, and the applicable FRF, to identify areas in the F.S. where the entity material misstatements are likely to arise and thereby provide a basis for

(c) Designing and Performing Procedures

In obtaining sufficient appropriate evidence as the basis for a conclusion on the financial statements as a whole, the practitioner shall design and perform **inquiry and analytical procedures**:

- To address all material items in the F.S., including disclosures; and
- To focus on addressing areas in the F.S. where ROMM are likely to arise.

(1) Inquiry

- Inquiry includes seeking information from management and others.
- Inquiries may include matters such as those relating to
 - (i) Making of accounting estimates,
 - (ii) Identification of related parties,
 - (iii) Events occurring between date of F.S. and practitioner's report,
 - (iv) Events or conditions that appear to cast doubt on the entity's ability to continue as a going concern,
 - (v) Significant, complex or unusual transactions,
 - (vi) Existence of any actual, suspected or alleged fraud,
- Inquiries may also be extended to obtain non-financial Data.
- Depending on the circumstances, inquiries may also include inquiries about:
 - (i) Actions taken at meetings of owners, TCWG and its committees that affect the information and disclosures contained in the F.S. (Inspection of Minutes)
 - (ii) Communications entity has received, or expects to receive or obtain, from regulatory agencies. (External conf= Legal firm)
 - (iii) Matters arising in the course of applying other procedures.

(2) Analytical Procedures (data must be Adequate)

- In designing analytical procedures, the practitioner shall consider whether the data from entity's accounting system and accounting records are adequate for the purpose of performing the analytical procedures.
- Various methods may be used to perform analytical procedures ranging from performing simple comparisons to performing complex analysis using statistical techniques.

(3) Importance of Inquiry in Review

- Evidence obtained through inquiry is often the principal source of evidence about management intent.
However, information available to support management's intent may be limited. In that case, understanding of :
 - (i) Management's past history of carrying out its stated intentions, (past)
 - (ii) Management's ability to pursue a specific course of action (present)
 - (iii) Management's reasons for choosing particular course of action (future)may provide relevant information to corroborate the evidence obtained through inquiry.
- Performing inquiry also assists practitioner in obtaining or updating his understanding of entity and its environment

(4) Importance of Analytical Procedures in Review

In a review of F.S., performing analytical procedures assists the practitioner in:

- Obtaining or updating understanding of entity and its environment
- Providing corroborative evidence in relation to other inquiries.
- Identifying variances from expected trends, values or norms in the F.S. with key data.
- Serving as additional procedures when the practitioner becomes aware of matters that cause the practitioner to believe that the F.S. may be materially misstated.

Procedures to Address **Specific** Circumstances

(a) Related parties (same)

- Practitioner shall remain alert for information (Prof skept) that may indicate the existence of RP relationships or transactions that the management has not previously identified or disclosed to the practitioner.
- If the practitioner identifies significant transactions outside the entity's normal course of business, he shall inquire:
 - (1) Nature of those transactions,
 - (2) Possible involvement of RP and
 - (3) The business rationale of those transactions.

(b) Fraud and Non-compliance with laws or Regulations (same)

- When there is an indication that fraud or NOCLAR has occurred, practitioner shall communicate to the appropriate level of senior management or TCWG and request management's assessment of the effects, if any, on the F.S.
- Practitioner has to consider the effect, if any, of management's assessment of the effects of fraud or NOCLAR communicated to him on his conclusion on the F.S. and on his report.
- Determine whether there is a responsibility to report the occurrence or suspicion of fraud or illegal acts to a party outside the entity.

(c) Going concern (same)

If practitioner becomes aware of events or conditions that may cast significant doubt about entity's ability to continue as a going concern, he shall:

- Inquire of management about plans for future actions, feasibility of those plans, and also whether management believes that the outcome of those plans will improve the situation.
- Evaluate results of inquiries, to consider whether management's responses provide a sufficient basis to:
 - (1) Continue to present the F.S. on the going concern basis if the applicable FRF includes the assumption of an entity's continuance as a going concern or
 - (2) Conclude whether the F.S. are materially misstated, or are otherwise misleading regarding the entity's ability to continue as a going concern and
- Consider management's responses in light of all relevant information of which he is aware.

(d) Use of work performed by others (same)

- If practitioner uses work performed by another practitioner or an expert, he shall take appropriate steps to be satisfied that the work performed is adequate for his purposes.

- When the practitioner is engaged to review the F.S. of a group of entities, planned NTE of the procedures are directed at achieving practitioner's objectives for the review engagement in accordance with this Standard but in the context of the group F.S.

Additional Procedures When Practitioner becomes Aware that the F.S. may be Materially Misstated

- If the practitioner becomes aware of matters that causes him to believe the F.S. may be materially misstated, he shall design and perform additional procedures sufficient to enable the practitioner to:
 - (1) Conclude that the matters are not likely to cause the F.S. as a whole to be materially misstated; or
 - (2) Determine that the matters cause the F.S. as a whole to be materially misstated.
- Additional procedures may be:
 - (1) Additional AI procedures being performed in greater detail or being focused on the affected items; or
 - (2) Other types of procedures, for example, test of details or external confirmations.

Example illustrating need to perform additional procedures and practitioner's response

- In the course of performing inquiry and analytical procedures, practitioner's analysis of accounts receivable shows a material amount of past due accounts receivable, for which there is no allowance for bad or doubtful debts.
- Practitioner believes that the accounts receivable balance in the F.S. may be materially misstated. He inquires management whether there are uncollectible accounts receivable that would need to be shown as being impaired.
- Depending on management's response, the practitioner's evaluation of the response may:
 - (1) Enable the practitioner to conclude that the accounts receivable balance is not likely to be materially misstated. In that case, no further procedures are required.
 - (2) Enable the practitioner to determine that the matter causes F.S. to be materially misstated. No further procedures are required, and he would form the conclusion that the F.S. as a whole are materially misstated.
 - (3) Lead the practitioner to continue to believe that the accounts receivable balance is likely to be materially misstated, while not providing sufficient appropriate evidence to determine that they are in fact misstated.

In that case, he is required to perform additional procedures, for example, requesting from management an analysis of amounts received for those accounts after the balance sheet date to identify uncollectible accounts receivable.

The evaluation of the results of the additional procedures may enable the practitioner to get to (a) or (b) above. If not, he is required to:

- (i) Continue performing additional procedures until the practitioner reaches either (a) or (b) above; or
- (ii) If the practitioner is not able to conclude that the matter is not likely to cause the F.S. to be materially misstated, or to determine that the matter does cause the F.S. to be materially misstated, then a scope limitation exists and he is not able to form an unmodified conclusion on the F.S.

Subsequent Events (ek dum same)

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

Written Representations (WR)

- Practitioner shall request management to provide WR that management has fulfilled its responsibilities and WR shall include that:
 - (1) Management has fulfilled its responsibility for the preparation of F.S. in accordance with the applicable FRF and has provided the practitioner with all relevant information and access to information as agreed in the terms of the engagement; and
 - (2) All transactions have been recorded and are reflected in the financial statements.
- Practitioner shall also request management's WR that management has disclosed to the practitioner: (jiss matter ki inquiry ki uska he WR lena hai)
 - (1) Identity of RPs and all RP relationships and transactions of which management is aware;
 - (2) Significant facts relating to any frauds or suspected frauds known to management;
 - (3) Known actual or possible NOCLAR that may affect the entity's financial statements;
 - (4) All information relevant to use of the going concern assumption in the F.S.;
 - (5) That all events occurring subsequent to the date of the F.S. and for which the applicable FRF requires adjustment or disclosure, have been adjusted or disclosed;
 - (6) Material commitments, contractual obligations or contingencies that have affected or may affect the entity's F.S., including disclosures;
 - (7) Material non-monetary transactions undertaken by the entity.
- If management does not provide one or more of the requested WRs, practitioner shall:
 - (1) Discuss the matter with management and TCWG;
 - (2) Re-evaluate integrity of management and evaluate effect on reliability of representations (oral or written) and evidence in general; and
 - (3) Take appropriate actions, including determining the possible effect on the conclusion.
- Practitioner shall disclaim a conclusion on the F.S., or withdraw from the engagement if withdrawal is permitted if:

- (1) There exists sufficient doubt on the integrity of management such that WR are not reliable;
or
- (2) Management does not provide the required representations.

Evaluating Evidence Obtained from the Procedures Performed

- Practitioner shall evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not, the practitioner shall perform other procedures judged by the practitioner to be necessary in the circumstances to be able to form a conclusion on the financial statements.
- If the practitioner is not able to obtain sufficient appropriate evidence to form a conclusion, the practitioner shall discuss with management and TCWG, as appropriate, the effects such limitations have on the scope of the review.

Forming the Practitioner's Conclusion on the Financial Statements

(a) Unmodified Conclusion (2 negatives)

- Practitioner shall express an unmodified conclusion when he has obtained limited assurance to be able to conclude that **nothing** has come to his attention that causes him to believe that the F.S. are **not** prepared, in all material respects, in accordance with applicable FRF.
- Unmodified conclusion may be expressed as follow:

(1) Fair Presentation Framework:

“Based on our review, nothing has come to our attention that causes us to believe that the F.S. do not give a true and fair view in accordance with the applicable FRF”

OR

(2) Compliance Framework:

“Based on our review, nothing has come to our attention that causes us to believe that the F.S. are not prepared, in all material respects, in accordance with the applicable FRF.

(b) Modified Conclusion

- Practitioner shall express a modified conclusion when he:
 - (1) Determines that the F.S. are **materially misstated**; or
 - (2) Is **unable to obtain sufficient appropriate evidence** (SAE) in relation to one or more items in the F.S. that are material.
- In case of modified conclusion, practitioner shall:
 - (1) Use heading “Qualified Conclusion,” “Adverse Conclusion” or “Disclaimer of Conclusion,” as appropriate;
 - (2) 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 immediately before conclusion paragraph.

(1) Financial statements are **materially misstated (QC/AC)**

- If F.S. are materially misstated, the practitioner shall express:
 - (1) A **qualified** conclusion, when effects of the matters giving rise to modification are material, but not pervasive; or

- (2) An adverse conclusion, when the effects of the matters giving rise to the modification are both material and pervasive.
- When the practitioner expresses a qualified conclusion because of a material misstatement, practitioner shall use one of the following phrases, as appropriate:
 - (i) **Fair Presentation Framework:**
“Based on our review, except for the effects of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the F.S. do not give a true and fair view in accordance with applicable FRF”.
 - (ii) **Compliance Framework:**
“Based on our review, except for the effects of the matters described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the F.S. are not prepared, in all material respects, in accordance with the applicable FRF”.
 - When the practitioner expresses an adverse conclusion, he shall use one of the following phrases, as appropriate:
 - (i) **Fair Presentation Framework:**
“Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the F.S. do not give a true and fair view, in accordance with the applicable FRF
 - (ii) **Compliance Framework:**
“Based on our review, due to the significance of the matter(s) described in the Basis for Adverse Conclusion paragraph, the F.S. are not prepared, in all material respects, in accordance with the applicable FRF”.
 - In Basis for conclusion paragraph, the practitioner shall:
 - (i) Describe and quantify the financial effects of the misstatement, unless impracticable, in which case the practitioner shall so state;
 - (ii) Explain how disclosures are misstated if the material misstatement relates to narrative disclosures; or
 - (iii) Describe the nature of omitted information if the material misstatement relates to the non-disclosure of information required to be disclosed.
- (2) **Inability to obtain sufficient appropriate evidence (QC/DC)**
- If practitioner is unable to form a conclusion due to inability to obtain sufficient appropriate evidence, he shall:
 - (i) Express a qualified conclusion if possible effects on the F.S. of undetected misstatements, if any, could be material but not pervasive; or
 - (ii) Disclaim a conclusion if possible effects on the F.S. of undetected misstatements, if any, could be both material and pervasive.
 - **Withdrawal from Engagement:**
Practitioner shall withdraw from the engagement if the following conditions are present:

- (i) Due to a limitation on scope imposed by management after practitioner has accepted the engagement, the practitioner is unable to obtain sufficient appropriate evidence to form a conclusion;
 - (ii) Practitioner has determined that the possible effects on the F.S. of undetected misstatements are material and pervasive; (disclaimer)
 - (iii) Withdrawal is possible under applicable law or regulation.
- **For qualified conclusion, practitioner shall use any of the following phrases, as appropriate:**
 - (i) **Fair Presentation Framework:**

“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 F.S. do not give a true and fair view, in accordance with the applicable FRF”.
 - (ii) **Compliance Framework:**

“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 F.S. are not prepared, in all material respects, in accordance with the applicable FRF”.
 - **When disclaiming a conclusion, practitioner shall state in the conclusion paragraph that:**
 - (i) Due to the significance of the matter(s) described in the Basis for Disclaimer of Conclusion paragraph, the practitioner is unable to obtain sufficient appropriate evidence to form a conclusion on the financial statements; and Accordingly, the practitioner does not express a conclusion on the financial statements.
 - In the basis for conclusion paragraph, practitioner shall include the reason(s) for the inability to obtain sufficient appropriate evidence.

The Practitioner’s Report

The practitioner's report for the review engagement shall be in writing, and shall contain the following elements:

- A title, which shall clearly indicate that it is the report of an independent practitioner for a review engagement;
- The addressee(s), as required by the circumstances of the engagement;
- An introductory paragraph that:
 - (1) Identifies the financial statements reviewed, including identification of the title of each of the statements contained in the set of financial statements and the date and period covered by each financial statement;
 - (2) Refers to the summary of significant accounting policies and other explanatory information; and
 - (3) States that the financial statements have been reviewed;
- A description of the responsibility of management for the preparation of the financial statements, including an explanation that management is responsible for:

- (1) Their preparation in accordance with the applicable financial reporting framework including, where relevant, their fair presentation;
 - (2) Such internal control as management determines is necessary to Engagements to Review Historical Financial Statements enable the preparation of F.S. that are free from material misstatement, whether due to fraud or error;
- If the financial statements are special purpose financial statements:
 - (1) A description of the purpose for which the F.S. are prepared and, if necessary, the intended users, or reference to a note in the special purpose F.S. that contains that information; and
 - (2) If management has a choice of FRFs in the preparation of such F.S., a reference within the explanation of management’s responsibility for the F.S. to management’s responsibility for determining that the applicable FRF is acceptable in the circumstances;
 - A description of the practitioner’s responsibility to express a conclusion on the F.S. including reference to this SRE and, where relevant, applicable law or regulation;
 - A description of a review of F.S. and its limitations, and the following statements:
 - (1) A review engagement under this SRE is a limited assurance engagement;
 - (2) The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained; and
 - (3) The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with SAs, and, accordingly, the practitioner does not express an audit opinion on the F.S.;
 - A paragraph under the heading “Conclusion” that contains:
 - (1) The practitioner’s conclusion on the F.S. as a whole, as appropriate; and
 - (2) A reference to the applicable FRF used to prepare the financial statements.
 - When the practitioner’s conclusion on the financial statements is modified:
 - (1) A paragraph under the appropriate heading that contains the practitioner’s modified conclusion, as appropriate; and
 - (2) A paragraph, under an appropriate heading, that provides a description of the matter(s) giving rise to the modification;
 - A reference to the practitioner’s obligation under this SRE to comply with relevant ethical requirements;
 - **The date of the practitioner’s report:** Practitioner shall date the report no earlier than the date on which the practitioner has obtained sufficient appropriate evidence as a basis for the practitioner’s conclusion on the F.S., including being satisfied that:
 - (1) All the statements that comprise the F.S. under the applicable FRF, including the related notes where applicable, have been prepared; and
 - (2) Those with the recognized authority have asserted that they have taken responsibility for those F.S.
 - The practitioner’s signature; and
 - The place of signature.

EOM and OM Paragraphs in Practitioner’s Report

(a) EOM Paragraphs

- Practitioner may consider it necessary to draw users’ attention to a matter presented or disclosed in F.S. that, in his judgment, is of such importance that it is fundamental to users’ understanding of the F.S.
- In such cases, he shall include an EOM paragraph in the report, provided he has obtained sufficient appropriate evidence to conclude that matter is not likely to be materially misstated as presented in the F.S.
- Such paragraph shall refer only to information presented or disclosed in the F.S.
- EOM paragraph shall be included immediately after the paragraph that contains the practitioner’s conclusion on the financial statements under the heading “Emphasis of Matter”.

(b) Other Matter Paragraphs (Same)

If the practitioner considers it necessary to communicate a matter other than those that are presented or disclosed in the F.S. that, in the practitioner’s judgment, is relevant to users’ understanding of the review, the practitioner’s responsibilities or the practitioner’s report and this is not prohibited by law or regulation, the practitioner shall do so in a paragraph in the practitioner’s report with the heading “Other Matter”.

Other Reporting Responsibilities (Same)

- A practitioner may be requested to address other reporting responsibilities in the practitioner’s report that are in addition to the practitioner’s responsibilities under this SRE to report on the financial statements.
- In such situations, those other reporting responsibilities shall be addressed by the practitioner in a separate section in the practitioner’s report headed “Report on Other Legal and Regulatory Requirements,” or otherwise as appropriate to the content of the section, following the section of the report headed “Report on the Financial Statements.

Documentation (yeah nahi padhte)

- Practitioner shall document the following aspects of the engagement in a timely manner, sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand:
 - (1) NTE of the procedures performed to comply with this SRE and applicable legal and regulatory requirements;
 - (2) Results obtained from the procedures, and the practitioner’s conclusions formed on the basis of those results; and
 - (3) Significant matters arising during the engagement, the practitioner’s conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
- In documenting NTE of procedures performed as required in this SRE, the practitioner shall record:
 - (1) Who performed the work and the date such work was completed; and
 - (2) Who reviewed the work performed for the purpose of quality control for the engagement, and the date and extent of the review.
- The practitioner shall also document discussions with management, TCWG and others as relevant to the performance of the review of significant matters arising during the engagement, including the nature of those matters.

- If, in the course of the engagement, the practitioner identified information that is inconsistent with the practitioner's findings regarding significant matters affecting the financial statements, the practitioner shall document how the inconsistency was addressed.

Difference between audit & review

SRE 2410 "REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY INDEPENDENT AUDITOR OF THE ENTITY"

Interim Financial Information (IFI)

Financial information, prepared and presented in accordance with applicable FRF and comprises either a complete or condensed set of F.S. for a period that is shorter than entity's financial year (Interim-generally in india= Quarterly)

Scope of SRE 2410

- SRE 2410 deals with the auditor's professional responsibilities when he undertakes an engagement to review IFI of an audit client, and on the form and content of the report.
- This SRE is directed towards a review of IFI by an entity's auditor. However, it is to be applied, adapted as necessary, when an **entity's auditor undertakes** an engagement to review historical financial information other than IFI of an audit client.

	Review of F.S.	Review of IFI
Independent auditor	SRE 2410	SRE 2410
Other Practitioner	SRE 2400	SRE 2400

Objective of Engagement to Review IFI

- Objective of an engagement to review IFI is to enable auditor to express a conclusion whether, on the basis of the review, anything has come to auditor's attention, that causes auditor to believe, that IFI is not prepared, in all material respects, in accordance with applicable FRF.
- Auditor makes inquiries, and performs analytical and other review procedures in order to reduce to a moderate level the risk of expressing an inappropriate conclusion when the Interim financial information is materially misstated.

Objective of Review of IFI vis-à-vis Objective of Audit:

- Review of IFI does not provide a basis for expressing an opinion whether the financial information gives a true and fair view, or is presented fairly, in all material respects, in accordance with applicable FRF.
- Review not designed to obtain reasonable assurance that IFI is free from material misstatement.
- Review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
- Review may bring significant matters affecting IFI to the auditor's attention, but it does not provide all of the evidence that would be required in an audit.

Agreeing the Terms of Engagement

- Auditor and client should agree on Terms of Engagement.
- Terms of Engagement ordinarily recorded in engagement letter.
- Terms of Engagement helps in avoiding misunderstandings w.r.t.:
 - (1) Nature of engagement.
 - (2) Objective and scope of review.

- (3) Management's responsibilities.
- (4) Auditor's responsibilities.
- (5) Assurance obtained.
- (6) Nature and form of report.

Understanding The entity and Its environment

- Auditor should have an understanding of entity and its environment, including internal control, as it relates to preparation of both annual and IFI, sufficient to plan and conduct the engagement so as to be able to:
 - (1) Identify types of potential material misstatement and consider the likelihood of their occurrence; and
 - (2) Select inquiries, analytical and other review procedures that will provide him with a basis for reporting whether anything has come to his attention that causes him to believe that IFI is not prepared, in all material respects, in accordance with applicable FRF.
- Auditor has obtained understanding of entity and its environment, including its internal control, as it relates to the preparation of annual financial information that was sufficient to conduct the audit.
- In planning a review of IFI, auditor updates this understanding.
- Auditor also obtains a sufficient understanding of internal control as it relates to the preparation of IFI as it may differ from internal control as it relates to annual financial information.

Procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control

- Reading 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.
- Reading the most recent annual and comparable prior period IFI.
- Considering any significant risks, including the risk of management override of controls, that were identified in the audit of the prior year's FS.
- Considering materiality with reference to the applicable FRF as it IFI to assist in determining nature and extent of procedures to be performed and evaluating effect of misstatements.
- Considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's FS.
- Considering significant financial accounting and reporting matters that may be of continuing significance such as material weaknesses in I.C.
- Considering results of any audit procedures performed with respect to the current year FS.
- Considering results of any internal audit performed and the subsequent actions taken by management.
- Inquiring of management about the results of management's assessment of the risk that the IFI may be materially misstated as a result of fraud.
- Inquiring of management about the effect of changes in the entity's business activities.
- Inquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of IFI.

- Inquiring of management 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.

Inquires, Analytical and Other Review Procedures

- Auditor should make inquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable him to conclude whether, on the basis of the procedures performed, 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 FRF.
- Review ordinarily does not require tests of the accounting records through inspection, observation or confirmation.
- Procedures for performing a review of IFI are ordinarily limited to making inquiries and applying analytical and other review procedures.

Procedures performed to collect evidences

- Reading minutes of 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.
- Considering effect, if any, of matters giving rise to a modification of audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
- Communicating, where appropriate, with other auditors who are performing a review of the IFI of the reporting entity's significant components.
- Inquiring of members of management responsible for financial and accounting matters, and others as appropriate about the following:
 - (1) Whether IFI has been prepared and presented in accordance with applicable FRF.
 - (2) Whether there have been any changes in accounting principles.
 - (3) Whether any new transactions have necessitated application of a new accounting principle.
 - (4) Whether IFI contains any known uncorrected misstatements.
 - (5) Unusual or complex situations that may have affected the IFI, such as a business combination or disposal of a segment of the business.
 - (6) Significant assumptions that are relevant to fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity.
 - (7) Whether RP transactions have been appropriately accounted for and disclosed in IFI.
 - (8) Significant changes in commitments and contractual obligations.
 - (9) Significant changes in contingent liabilities including litigation or claims.
 - (10) Compliance with debt covenants.
 - (11) Matters about which questions have arisen in the course of applying the review procedures.
 - (12) Significant transactions occurring in the last several days of the interim period or the first several days of the next interim period.
 - (13) Knowledge of any fraud or suspected fraud affecting the entity involving:

- (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others where the fraud could have a material effect on the IFI.
- (14) Knowledge of any allegations of fraud, or suspected fraud, affecting the entity's interim financial information communicated by employees, former employees, analysts, regulators, or others.
- (15) Knowledge of any actual or possible noncompliance with laws and regulations that could have a material effect on the interim financial information.
- Applying analytical procedures to the IFI designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the IFI.
 - Reading the IFI, and considering 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 FRF.

Collection of Evidences

- Obtain evidence that the IFI agrees or reconciles with the underlying accounting records. For this purpose, auditor may trace the IFI to:
 - (1) The accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
 - (2) Other supporting data in the entity's records as necessary.
- Auditor should inquire whether management has identified all events up to date of review report that may require adjustment to or disclosure in IFI. It is not necessary for the auditor to perform other procedures to identify events occurring after the date of the review report.
- Inquire whether management has changed its assessment of the entity's ability to continue as a going concern.
- When, as a result of this inquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor should:
 - (1) Inquire of management as to its plans for future actions based on its going concern assessment, the feasibility of these plans, and whether management believes that the outcome of these plans will improve the situation; and
 - (2) Consider the adequacy of the disclosure about such matters in the IFI.
- When a matter comes to the auditor's attention that leads the auditor to question whether a material adjustment should be made for the IFI to be prepared, in all material respects, in accordance with the applicable FRF, the auditor should make additional inquiries or perform other procedures to enable the auditor to express a conclusion in the review report.

Evaluation of Misstatements

- Evaluate, individually and in aggregate, whether uncorrected misstatements that have come to auditor's attention are material to IFI.
- Not required to obtain reasonable assurance that IFI is free of material misstatements.
- Exercise professional judgment in evaluating materiality of misstatements.

Management Representations

Obtain written representations from management that:

- It acknowledges its responsibility for design and implementation of internal control to prevent and detect fraud and error.
- IFI is prepared and presented in accordance with applicable FRF.
- It believes uncorrected misstatements aggregated by auditor during review are immaterial, both individually and in the aggregate, to IFI.
- It has disclosed to the auditor:
 - (1) All significant facts relating to any frauds or suspected frauds known to management that may have affected the entity.
 - (2) Results of its assessment of the risks that the IFI may be materially misstated as a result of fraud.
 - (3) All known actual or possible non-compliance with laws and regulations whose effects are to be considered when preparing the IFI.
 - (4) 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 IFI.

Auditor's Responsibility For Accompanying Information

- The auditor should read the other information that accompanies the IFI to consider whether any such information is materially inconsistent with the IFI.
- If a matter comes to the auditor's attention that causes the auditor to believe that the other information appears to include a material misstatement of fact, the auditor should discuss the matter with the entity's management.

Communication

- If auditor believes that it is necessary to make a material adjustment to IFI, he should communicate this matter as soon as practicable to appropriate level of management.
- If management does not respond appropriately within reasonable time, inform to TCWG.
- If TCWG do not respond appropriately within reasonable time, consider:
 - (1) Whether to modify the report; or
 - (2) Possibility of withdrawing from engagement; and
 - (3) Possibility of resigning from appointment to audit the annual FS.
- If a matter comes to auditor's attention that causes auditor to believe in existence of fraud or NOCLAR; communicate that matter as soon as practicable to appropriate level of management.
- Communicate relevant matters of governance interest arising from review of IFI to TCWG.

Reporting the Nature, Extent and Results of Review of IFI

The auditor should issue a written report that contains the following:

- An appropriate title.
- An addressee, as required by the circumstances of the engagement.

- Identification of IFI reviewed including identification of title of each statement contained in complete set of financial statements and the date and period covered by them.
- If IFI comprises a complete set of general purpose F.S. prepared in accordance with a FRF designed to achieve fair presentation, a statement that management is responsible for the preparation and fair presentation of the IFI in accordance with applicable FRF.
- A statement that auditor is responsible for expressing a conclusion on IFI based on review.
- A statement that Review was conducted in accordance with SRE 2410 and such review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
- A statement that review is substantially less in scope than an audit conducted in accordance with SAs and consequently does not enable the auditor to obtain reasonable assurance and that accordingly no audit opinion is expressed.
- If IFI comprises a complete set of general purpose F.S. prepared in accordance with a FRF designed to achieve fair presentation, a conclusion as to whether anything has come to auditor's attention that causes him to believe that the IFI does not give a true and fair view, or does not present fairly, in all material respects, in accordance with the applicable FRF
- The date of the report.
- Place of Signature.
- The auditor's signature and membership number
- The Firm's registration number 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.

Departure from applicable FRF

- Auditor shall express a qualified or adverse conclusion, when a matter has come to his attention that causes him to believe that a material adjustment should be made to the IFI for It to be prepared, in all material respects, in accordance with the applicable FRF.
- If matters have come to the auditor's attention that cause him to believe that the IFI is or may be materially affected by a departure from the applicable FRF, and management does not correct the IFI, the auditor modifies the review report.
- Modification describes the nature of departure and, if practicable, states the effects on the IFI. If the information that auditor believes is necessary for adequate disclosure is nor included in the IFI, the auditor modifies the review report and, if practicable, includes the necessary information 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 effect of 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

- If unable to complete review:

- (1) Communicate in writing to appropriate level of management and to TCWG the reason why review cannot be completed, and
 - (2) Consider whether it is appropriate to issue a report.
- Do not accept review engagement: If preliminary knowledge indicates inability to complete review due to limitation on scope by Management.
 - If after accepting engagement, limitation imposed by management:
 - (1) Request removal of limitation.
 - (2) If management refuses, communicate in writing to management and TCWG w.r.t. why engagement cannot be completed.
 - (3) Consider legal and regulatory responsibilities.

Going Concern and Significant Uncertainties

- If, as a result of inquiries or other review procedures, 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, auditor modifies the review report by adding an EOM paragraph.
- Auditor may have modified a prior audit or review report by adding an EOM paragraph 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, auditor 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, auditor should express a qualified or adverse conclusion, as appropriate.

Documentation

Auditor should prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion and to provide evidence that the review was performed in accordance with this SRE and applicable legal and regulatory requirements.