

SRE 2410 Review of Interim Financial Info. performed by the Independent Auditor of Entity Interim financial info. is financial info. prepared & presented as per applicable FRF & comprises either a complete or condensed set of FS for a period shorter than entity's FY. For eg, interim financial info. may relate to FS of a quarter of FY.

R.A.P Understanding Entity and its Environment including its Internal Control Procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control, ordinarily include the following:

- ① Reading documentation, to the extent necessary, of preceding year's audit and reviews of prior interim period(s) of current year and corresponding interim period(s) of PY to identify matters that may affect current-period interim financial info. Q3 FY24 → Q3 FY23 ✓
- ② Reading most recent annual and comparable prior period interim financial info.
- ③ Considering any significant risks including risk of mgt override of controls, identified in audit of prior year's FS. complex fraud
- ④ Considering nature of any corrected MMs and any identified uncorrected MMs in PY's FS.
- ⑤ Considering materiality w.r.t applicable FRF to assist in determining nature & extent of procedures to be performed and evaluating effect of misstatements.
- Considering results of any audit procedures performed with respect to current year's FS.
- Considering results of any internal audit performed and subsequent actions taken by mgt.
- Inquiring of mgt about results of mgt's assessment of risk that interim financial info. may be materially misstated as a result of fraud. 240
- Inquiring of mgt about effect of changes in entity's business activities. }
- Inquiring of mgt about significant changes in internal control and potential effect of any such changes on preparation of interim financial info.
- Inquiring of mgt of process by which interim financial info. has been prepared & reliability of underlying a/c records to which interim financial info. is agreed or reconciled.

F.A.P Inquiries, Analytical and other Review procedures

Auditor ordinarily performs following procedures:-

1. Reading minutes of meetings of shareholders, TCWG, and other appropriate committees to identify matters that may affect interim financial info, and inquiring about matters dealt at meetings for which minutes not available that may affect interim financial info.
2. Considering effect, if any, of matters giving rise to a modification of audit or review report, a/c adjustments or unadjusted misstatements, at time of previous audit or reviews.
3. Communicating, where appropriate, with other auditors reviewing interim financial info. of reporting entity's significant components. = Subsy.



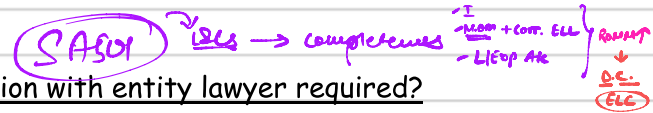
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4. Inquiring of members of mgt responsible for financial and a/c matters, and others about following:

- Whether interim financial info. prepared and presented as per applicable FRF. (Basic) ✓
- Whether there have been any changes in a/c principles or methods of applying them. (changes)
- Whether any new transactions have necessitated application of a new accounting principle. (new)
- Whether interim financial info contains any known uncorrected misstatements (Han E)
- Unusual or complex situations that may have affected interim financial info, such as a business combination or disposal of a segment of business. (not AS 113)
- Significant assumptions relevant to fair value measurement or disclosures and mgt's intention and ability to carry out specific courses of action on behalf of entity.
- Whether related party transactions have been appropriately accounted and disclosed in interim financial info.
 - Significant changes in commitments and contractual obligations.
 - Significant changes in contingent liabilities including litigation or claims.
 - Compliance with debt covenants (D)
 - Matters about which questions have arisen in course of applying review procedures.
 - Significant transactions occurring in last several days of interim period or first several days of next interim period.
 - Knowledge of any fraud or suspected fraud affecting entity involving mgt, employees who have significant roles in internal control or others where fraud could have a material effect on interim financial info. (F)
 - Knowledge of any allegations of fraud, or suspected fraud, affecting entity's interim financial info. communicated by employees, former employees, analysts, regulators, or others. (F)
 - Knowledge of any actual or possible NOCLAR that could have a material effect on interim financial info.

5. Applying analytical procedures to interim financial info. designed to identify relationships and individual items that appear to be unusual and may reflect a MM in interim financial info.

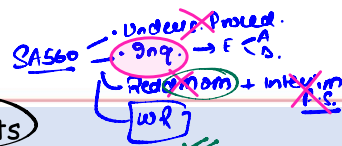
6. Reading interim financial info, and considering whether anything has come to auditor's attention that causes auditor to believe that interim financial info. is not prepared, in all material respects, as per applicable FRF.



Q. Direct communication with entity lawyer required?

A review of interim financial info. ordinarily doesn't require corroborating inquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an inquiry letter to the entity's lawyer. Direct communication may be appropriate if a matter comes to the auditor's attention that causes auditor to question whether interim financial info. is not prepared, in all material respects, as per applicable FRF, and auditor believes entity's lawyer may have pertinent info.

RCMPT



Subsequent Events

Auditor should **inquire** whether mgt has identified all **events** up to date of review report that may require **adjustment or disclosure** in interim financial info. It is **not necessary to perform other procedures** to identify events occurring after date of review report.

Going Concern

Auditor should **inquire** whether mgt has changed its assessment of entity's ability to continue as GC. When, as a result of this inquiry or other review procedures, auditor becomes aware of events or conditions that may cast significant doubt on entity's ability to continue as a GC, auditor should:

- Inquire** of mgt as to its **plans for future actions**, **feasibility** of these plans, and whether mgt believes that outcome of these plans will **improve the situation** &
- Consider **adequacy of disclosure** about such matters in interim financial info.

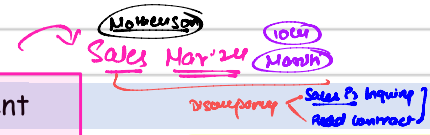
How to know abt events?

Events or conditions which may cast significant doubt on entity's ability to continue as a GC may have existed at date of annual FS or may be identified as result of **inquiries of mgt or in course of performing other review procedures.**

What to do?

When such events or conditions come to auditor's attention, auditor **inquires of mgt as to its plans for future action**, such as its plans to **liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.**

Auditor also **inquires as to feasibility of mgt's plans** and whether mgt believes that **outcome of these plans will improve the situation.** However, it isn't necessary to corroborate feasibility of mgt's plans and whether outcome of these plans will improve the situation.



Doubt about accounting treatment

- When a matter comes to auditor's attention that leads to question whether a **material adjustment** should be made for interim financial info. to be prepared, in all material respects, as per applicable FRF, auditor should make **additional inquiries** or perform other procedures to enable auditor to express a conclusion in review report.
- For eg, if auditor's review procedures lead auditor to question whether a significant sales transaction is recorded as per applicable FRF, auditor performs **additional procedures to resolve auditor's questions**, such as **discussing terms of transaction with senior marketing and accounting personnel**, or **reading sales contract.**

Evaluation of Misstatements

SAS 50

- Auditor should **evaluate**, individually and in aggregate, whether **uncorrected misstatements** that have come to auditor's attention are **material** to interim financial info.



- Misstatements which come to auditor's attention, including inadequate disclosures, are evaluated **individually and in aggregate** to determine whether a **material adjustment is required** to be made to interim financial info. for it to be prepared, in all material respects, as per applicable FRF.
- Auditor **exercises professional judgment** in evaluating materiality of any misstatements that entity has not corrected.

Management representations

CA/BO

Auditor should obtain written representation from mgt that: -

- It acknowledges its responsibility for design and implementation of **internal control** to prevent and detect fraud and error
- Interim financial info. is prepared and presented **as per applicable FRF**
- CA/BO** believes effect of those **uncorrected misstatements** aggregated by auditor during review are **immaterial** both individually and aggregate, to interim financial info. taken as a whole. Summary of such items is included or attached to written representations
- It has **disclosed to auditor** all significant facts relating to any **frauds or suspected frauds** known to mgt that may have affected entity
- It has **disclosed to auditor** the results of its **assessment of risks** that interim financial info. may be materially misstated as a result of **fraud**
- It has disclosed to auditor **all known actual or possible NOCLAR** whose effects are to be considered when preparing interim financial info; and
- It has disclosed to auditor **all significant events** that have occurred **subsequent to BS date** till date of review report that may require adjustment or disclosure in interim financial info.

Basic

ILA
Other
Warranties
- Process
- NOCLAR
- G.C.

Auditor's Responsibility for Accompanying Info.

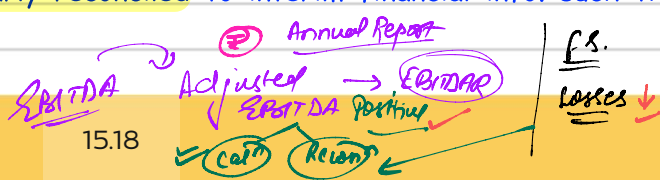
Other info. [Annual Report]

- Auditor should **read other info.** that accompanies interim financial info. to consider whether any such info. is **materially inconsistent** with interim financial info.
- If auditor **identifies a material inconsistency**, auditor considers **whether interim financial info. or other info. needs to be amended.**
- If amendment is necessary in **interim financial info. & mgt refuses** to make such amendment, auditor considers **implications for review report.**
- If amendment is necessary in **other info. & mgt refuses** to make such amendment, auditor considers including in review report an **additional para describing material inconsistency** or taking **other actions**, such as **withholding issuance of review report** or **withdrawing from engg.**

DAQ

Example of Material Inconsistency?

For eg, mgt may present **alternative measures of earnings** that **more positively portray** results of operations than interim financial info, and such alternative measures are given excessive prominence, are **not clearly defined**, or **not clearly reconciled** to interim financial info. such that they are **confusing and potentially misleading.**



Airtel
Or 10000 subscribers?
wrong

Q. What if auditor identified material misstatement of FACT in other info?

- Discuss matter with entity's mgt.
- When discussing with entity's mgt, consider validity of other info. & mgt's responses to 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 apparent misstatement of fact.
- If amendment is necessary to correct MM of fact and mgt refuses to make amendment, consider taking further action as appropriate, such as notifying TCWG & obtaining a legal advice.

Communication

- When auditor believes necessary to make a material adjustment to interim financial info. for it to be prepared, in all material respects, as per applicable FRF, communicate this matter ASAP to mgt.
- When, in auditor's judgment, mgt doesn't respond appropriately within reasonable period of time, inform TCWG.
- Communication is made ASAP, either orally or in writing. Decision to communicate orally or in writing is affected by factors such as nature, sensitivity and significance of matter to be communicated & timing of such communications. If info. communicated orally, auditor documents the communication.
- When auditor believes in existence of fraud or NOCLAR, communicate ASAP to Mgt. Determination of which level of mgt is appropriate is affected by likelihood of collusion or involvement of a member of mgt.
- Auditor also considers need to report such matters to TCWG and considers implication for review. Auditor should communicate relevant matters of governance interest arising from review of interim financial info. with TCWG.
- Matters that in auditor's opinion both important & relevant to TCWG in overseeing financial reporting and disclosure process. Auditor communicates such matters to TCWG.

Reporting Nature, Extent and Results of Review of Interim Financial Info.

Content of Written Report:

- a. An appropriate title.
- b. An addressee, as reqd by circumstances of engg.
- c. Identification of interim financial info. reviewed, including identification of title of each of statements contained in complete or condensed set of FS and date & period covered by interim financial info.
- d. If interim financial info. comprises a complete set of general-purpose FS prepared as per a Fair Presentation FRF, statement that mgt is responsible for preparation and fair presentation of interim financial info. as per applicable FRF.
- e. In other circumstances, statement that mgt is responsible for preparation and presentation of interim financial info. as per applicable FRF.



- f. Statement that auditor is responsible for expressing conclusion on interim financial info. based on review.
- g. Statement that review of interim financial info. was conducted as per SRE 2410 & a statement that that such review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
- h. Statement that a review is substantially less in scope than an audit conducted as per SA and doesn't enable auditor to obtain assurance that auditor would become aware of all significant matters that might be identified in audit & that accordingly no audit opinion is expressed.
- i. If interim financial info. comprises a complete set of general purpose FS prepared as per a fair presentation FRF, conclusion as to whether anything has come to auditor's attention that causes auditor to believe that interim financial info. doesn't give a true and fair view, or does not present fairly, in all material respects, as per applicable financial reporting framework.
- j. In other circumstances, a conclusion as to whether anything has come to auditor's attention that causes auditor to believe that interim financial info. not prepared, in all material respects, as per applicable FRF
- k. Date of report.
- l. Place of Signature.
- m. Auditor's signature and membership no. assigned by ICAI.
- n. Firm's reg. no.

Q. UDIN also required?

Besides, UDIN has also to be generated and stated for review engg. as it is also in nature of assurance engg. UDIN has to be stated for engagements performed in accordance with SRE 2400 or SRE 2410.

Ab Clause BATAO? ~~1/2/2~~ } ~~9/1/2~~ ^{GAPPA}

Departure from the Applicable FRF

- Material adjustment reqd in interim financial info. for it to be prepared, in all material respects, as per applicable FRF → Express qualified or adverse conclusion
- Describe nature of departure & if practicable, states effects on interim financial info.

Inadequate Disclosure

If info. that auditor believes is necessary for adequate disclosure is not included in interim financial info, auditor modifies review report and, if practicable, includes necessary info. in review report.

- Modification to review report is ordinarily accomplished by adding an explanatory paragraph to review report and qualifying the conclusion.
- When effect of departure is so material and pervasive to interim financial info. that auditor concludes a qualified conclusion is not adequate to disclose misleading or incomplete nature of interim financial info, express adverse conclusion.

Limitation on Scope

When auditor unable to complete review, communicate, in writing, to appropriate level of mgt and TCWG reason why review can't be completed & consider whether its appropriate to issue a report.

Limitation on Scope Imposed by Mgt

- Auditor **doesn't accept an engg**, if auditor would be unable to complete review because there will be a limitation on scope imposed by mgt.
- If, after accepting engg, mgt imposes a limitation on the scope of review, **auditor requests removal of that limitation**.
- If **mgt refuses** to do so, auditor is **unable to complete review and express a conclusion**.
- In such cases, auditor **communicates, in writing, to appropriate level of mgt and TCWG reason why review cannot be completed**.
- Auditor **also considers L/R responsibilities**, including whether there is **requirement to issue report**.
- If yes, auditor **disclaims a conclusion & provides reason** why review can't be completed.

Other Limitations on Scope

- Limitation on scope may occur due to circumstances other than imposed by mgt.
- In such circumstances, auditor is unable to complete review and express a conclusion.
- There may be, however, some rare circumstances where limitation is confined to specific matters that, while **material, are not pervasive** to interim financial info.
- In such circumstances, auditor modifies review report by indicating that, except for matter which is described in an explanatory para. to review report, review was conducted as per this SRE, and by **qualifying** the conclusion.
- Auditor may have expressed qualified opinion on audit of latest annual FS because of limitation on scope. Consider whether that limitation still exists and, if so, implications for review report.

Going Concern and Significant Uncertainties

- **Material uncertainty** relating to an event or condition comes to auditor's attention that may cast significant doubt on entity's ability to continue as a GC, **and adequate disclosure is made** in interim financial info. **auditor modifies review report by adding an EOM para.**
- Auditor may have modified a prior audit or review report by adding an EOM para to highlight a MU relating to E/C that may cast significant doubt on entity's ability to continue as GC.
- If **MU still exists and adequate disclosure is made** in interim financial info, auditor **modifies the review report** on current interim financial info. by adding a para to highlight continued MU.
- If a MU that casts significant doubt about entity's ability to continue as a GC **isn't adequately disclosed** in interim financial info, auditor should express a **qualified or adverse conclusion**, as appropriate.
- Report should include specific reference to **fact that there is such a material uncertainty**.

Other Considerations

Report with Interim Financial Info.

- Agree with mgt that where any document containing interim financial info. indicates that such info. has been reviewed by entity's auditor, review report will also be included in document.
- If mgt has not included review report in document, auditor considers seeking legal advice to assist in determining appropriate course of action in circumstances.
- If auditor has issued modified review report and mgt issues interim financial info. without including modified review report in document containing interim financial info, auditor considers seeking legal advice to determine appropriate course of action and possibility of resigning from appointment to audit annual FS.

Condensed set of FS

- Interim financial info. consisting of condensed set of FS doesn't necessarily include all info. that would be included in a complete set of FS, but may rather present explanation of events and changes significant to understand changes in state of affairs & performance of entity since annual reporting date.
- This is because it is presumed that users of interim financial info. will have access to latest audited FS, such as is the case with listed entities.
- In other cases, auditor discusses with mgt need for such interim financial info. to include a statement that it is to be read with latest audited FS.
- In absence of such statement, auditor considers whether, without a reference to latest audited FS, interim financial info. is misleading and implications for review report.

Documentation

Prepare review documentation that's sufficient and appropriate to provide basis for auditor's conclusion and evidence that review was performed as per this SRE and applicable L/R requirements.

Q. During review of ^{SRE 2410} quarterly results of a Co. of which you are auditor, it is gathered on inquiries made that there has been a major fire in fabric processing plant of Co. during the quarter. It has resulted in massive disruption in operations of Co. Worse still, machinery and inventories of plant were uninsured due to carelessness of concerned staff leading to substantial losses. Matter has been disclosed in interim financial info. appropriately. Discuss, how you would deal with the same in review report? ^{MU ✓}

Uninsured assets in a disaster are examples of events or conditions that, individually or collectively, may cast significant doubt about going concern assumption. As a result of fire, there is massive disruption in operations of Co. Besides, Co. would have to bear losses as its damaged assets are uninsured.

In accordance with SRE 2410, if, as result of inquiries or other review procedures, a material uncertainty relating to an event or condition comes to auditor's attention that may cast significant doubt on entity's ability to continue as a going concern, and adequate disclosure is made in interim financial information, auditor modifies review report by adding an emphasis of matter paragraph.

Therefore, Emphasis of matter paragraph should be added in review report.

Q. CA. Seerat is conducting review of quarterly financial info. of a Co. of which she is also auditor. She believes that it is necessary to make a material adjustment to quarterly financial info. for it to be prepared, in all material respects, in accordance with applicable FRF. She has communicated the matter to CFO and audit committee. However, no response was received even after waiting for a reasonable time. What are the options available to her?

In such a case, options available to her in accordance with SRE 2410 are: -

- (a) Whether to modify the report or
- (b) The possibility of withdrawing from the engagement and
- (c) The possibility of resigning from the appointment to audit the annual FS.

"The expert was also once a beginner"