

Review of Financial Information

SRE 2400 - "Engagements to Review Historical Financial Statements"

Scope: SRE 2400 deals with practitioner responsibilities when engaged to perform review of Historical F.S. when practitioner is auditor of entity.

Objectives of Practitioner: To obtain Limited Assurance primarily by performing Inquiry & Analytical Procedures about whether F.S. as a whole are free from material misstatements, thereby enabling him to express a conclusion on whether anything has come to his attention that causes him to believe that F.S. are not prepared, in all material respects, in accordance with an applicable FRF.

Acceptance Considerations

1 Factors affecting acceptance

Unless required by L & R, practitioner shall not accept review engagement if:

- (a) Not satisfied that there is a rational purpose for engagement.
- (b) Has reason to believe that relevant ethical requirements, including independence, will not be satisfied.
- (c) Preliminary understanding of circumstances indicates that information needed to perform review engagement is likely to be unavailable or unreliable.
- (d) Has cause to doubt mngt. integrity such that it is likely to affect proper performance of review.
- (e) Mngt. or TCWG impose a limitation on scope.

2 Preconditions for accepting review engagement

Before acceptance, practitioner shall:

- (a) Determine whether FRF applied in preparation of F.S. is acceptable.
- (b) Obtain agreement of mngt. that it acknowledges & understands its responsibilities:
 - (i) For preparation of F.S. as per FRF;
 - (ii) For necessary IC to enable preparation of F.S. that are free from material misstatement; and
 - (iii) To provide practitioner with:
 - a. Access to all information which is relevant to preparation of F.S.;
 - b. Additional information that he may request from mngt. for review; and
 - c. Unrestricted access to persons within entity from whom he determines it necessary to obtain evidence.

If not satisfied as to any of above stated matters, he shall discuss it with mngt. or TCWG.

If changes cannot be made to satisfy him, he shall not accept proposed engagement unless required by L&R.

Designing and Performing Procedures

In obtaining sufficient appropriate evidence as basis for a conclusion on F.S. as a whole, practitioner shall design & perform *inquiry & analytical procedures*.

Inquiry

- Inquiries may include matters such as:
 - (a) making of accounting estimates,
 - (b) identification of related parties,
 - (c) significant, complex or unusual transactions,
 - (d) existence of actual, suspected or alleged fraud,
 - (e) events occurring between date of F.S. & practitioner's report,
 - (f) basis for mngt. assessment of entity's ability to continue as a going concern,
 - (g) events or conditions that appear to cast doubt on entity's ability to continue as a going concern,
- Inquiries may also be extended to obtain non-financial data.
- Inquiries may also include inquiries about:
 - (a) Actions taken at meetings of owners, TCWG and its committees that affect information & disclosures contained in F.S.
 - (b) Communications entity has received, or expects to receive or obtain, from regulatory agencies.
 - (c) Matters arising in course of applying other procedures.

Analytical Procedures (Aps)

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

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

- If practitioner becomes aware of matters that causes him to believe that F.S. may be materially misstated, he shall design & perform additional procedures sufficient to enable him to:

Conclude that matters are not likely to cause F.S. as a whole to be materially misstated; or Determine that matters cause F.S. as a whole to be materially misstated.

- Additional procedures may be:
 - (a) Additional inquiry or APs being performed in greater detail or being focused on the affected items; or
 - (b) Other types of procedures, for example, substantive test of details or external confirmations.

Forming Conclusion

- Practitioner shall express 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 F.S. are not prepared, in all material respects, in accordance with applicable FRF.
- Practitioner shall express a modified conclusion when he:
 - (a) determines that F.S. are materially misstated; or
 - (b) is unable to obtain sufficient appropriate evidence in relation to one or more items in F.S. that are material.
- If practitioner is unable to form a conclusion due to inability to obtain sufficient appropriate evidence, he shall:
 - (a) Express qualified conclusion if possible effects on F.S. of undetected misstatements, if any, could be material but not pervasive; or
 - (b) Disclaim a conclusion if possible effects on F.S. of undetected misstatements, if any, could be both material and pervasive.

Withdrawal from Engagement

Withdraw from the engagement if following conditions are present:

- Due to limitation on scope of review imposed by mngt. after practitioner has accepted engagement, practitioner is unable to obtain sufficient appropriate evidence to form a conclusion;
- Practitioner has determined that possible effects on F.S. of undetected misstatements are material and pervasive; and
- Withdrawal is possible under applicable law or regulation.

Practitioner's Report

It shall be in writing & contain following elements:

- (a) Title, indicating report of independent practitioner for a review engagement;
- (b) Addressee(s).
- (c) Introductory paragraph that identifies F.S. reviewed & states that F.S. have been reviewed;
- (d) Description of responsibility of management for the preparation of F.S.
- (e) If F.S. are special purpose F.S., a description of the purpose for which the F.S. are prepared and the intended users.
- (f) Description of practitioner responsibility to express a conclusion on the F.S.
- (g) Description of review of F.S. & its limitations, & the following statements:
 - Review engagement under this SRE is a limited assurance engagement;
 - Practitioner performs procedures, consisting of making inquiries of mngt. and others and applying analytical procedures. and
 - Procedures performed are substantially less than those performed in an audit and accordingly, the practitioner does not express an audit opinion;
- (h) "Conclusion" that contains:
 - (i) The practitioner's conclusion on the financial statements as a whole, as appropriate; and
 - (ii) A reference to the applicable FRF used to prepare the F.S.
- (i) Date of Report: Practitioner shall date the report no earlier than date on which he has obtained sufficient appropriate evidence as a basis for his conclusion on the F.S., including being satisfied that:
 - All statements that comprise F.S. under applicable FRF, including the related notes where applicable, have been prepared; and
 - Those with the recognized authority have asserted that they have taken responsibility for those F.S.
- (j) Practitioner's signature; and
- (k) Place of signature.



SRE 2410 “Review of Interim Financial Information performed by Independent Auditor of the Entity”

Scope: SRE 2410 deals with auditor responsibilities when engaged to perform a review of Interim financial information (IFI) of entity.

Objectives of Auditor: To express a conclusion whether on basis of review 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.

Procedures performed to update understanding of entity & its environment

1. Reading documentation of preceding year's audit & reviews of prior interim period(s) of current year & corresponding interim period(s) of prior year, to enable auditor to identify matters that may affect current-period IFI.
2. Reading most recent annual & comparable prior period IFI.
3. Considering any significant risks, including risk of mngt. override of controls, that were identified in audit of the prior year's FS.
4. Considering materiality with reference to applicable FRF as it relates to IFI to assist in determining nature and extent of procedures to be performed and evaluating effect of misstatements.
5. Considering nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's FS.
6. Considering results of audit procedures performed with respect to current year's FS.
7. Considering results of internal audit performed and subsequent actions taken by management.
8. Inquiring of management about the following:
 - results of mngt. assessment of risk that IFI may be materially misstated as a result of fraud.
 - effect of changes in entity's business activities.
 - any significant changes in IC and potential effect of any such changes on preparation of IFI.
 - 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 & Other Review Procedures

Procedures for performing a review of IFI are ordinarily limited to making inquiries and applying analytical and other review procedures.

- (a) Reading minutes of meetings of shareholders, TCWG, and other committees to identify matters that may affect IFI, and inquiring about matters dealt with at meetings for which minutes are not available that may affect the IFI.
- (b) Communicating with other auditors who are performing review of IFI of entity's significant components.
- (c) Inquiring of mngt. & others about the following:
 - Whether IFI has been prepared & presented in accordance with applicable FRF.
 - Whether there have been any changes in accounting principles.
 - Whether any new transactions have necessitated application of a new accounting principle.
 - Whether IFI contains any known uncorrected misstatements.
 - Unusual or complex situations that may have affected the IFI.
 - Whether RP transactions have been appropriately accounted for & disclosed in IFI.
 - Significant changes in commitments and contractual obligations.
 - Significant changes in contingent liabilities including litigation or claims.
 - Knowledge of any fraud or suspected fraud affecting the entity involving mngt., employees who have significant roles in internal control; or others.
 - Knowledge of any allegations of fraud, or suspected fraud.
 - Knowledge of any actual or possible noncompliance with laws and regulations that could have a material effect on the interim financial information.
- (d) Applying APs to IFI designed to identify relationships & individual items that appear to be unusual and that may reflect a material misstatement in the IFI.

