ED-2410 RESPONSE FORM

May 2026

EXPOSURE DRAFT OF PROPOSED ISRE 2410 (REVISED), *REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY'S ANNUAL FINANCIAL STATEMENTS*

Response Form

Guide for Respondents

Comments are requested by **September 3, 2026**. *Note that requests for extensions of time cannot be accommodated due to the timeline for finalization of this proposed revised standard.*

This form is for providing comments on the Exposure Draft of proposed International Standard on Review Engagements™ (ISRE) 2410*, Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements* (ED-2410), in response to the questions set out in the Explanatory Memorandum (EM) to ED-2410. It also allows for respondent details, demographics and other comments to be provided. Use of this form will facilitate the IAASB's analysis of the responses.

You may respond to all questions or only those questions for which you have specific comments.

To assist our consideration and analysis of your comments, please:

- For each question, start by indicating your overall response using the drop-down menu under each question. Include any detailed comments below that, as indicated.
- When providing comments, respond directly to the questions and:
  - Provide the rationale for your answers. If you disagree with the proposals in ED-2410, please provide specific reasons for your disagreement and include specific suggestions for changes (including specific wording) that may be needed to the requirements, application material or appendices. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view as support for the IAASB's proposals cannot always be inferred when not stated.
  - Be specific about the sections, headings or paragraphs in ED-2410 to which your responses relate.
  - Refrain from inserting tables or text boxes in your responses.

It is not necessary to include a cover letter containing a summary of your key issues. The response form provides the opportunity to include any other views you wish to place on the public record, should you choose to do so. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

Use the "**Submit Comment**" button on the web page for proposed ISRE 2410 (Revised) to upload the completed form.

Responses to IAASB's Request for Comments in the EM for ED-2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements

PART A: Respondent Details and Demographic information

Your organization's name (or your name if you are making a submission in your personal capacity)	Institut der Wirtschaftsprüfer (IDW)
Name(s) of person(s) responsible for this submission (or leave blank if the same as above)	Torsten Moser Wolf Böhm Neville Anderson Ellen Krekeler
Name(s) of contact(s) for this submission (or leave blank if the same as above)	Torsten Moser – Executive Director Wolf Böhm – Technical Director Assurance Standards Neville Anderson – Senior Technical Manager Assurance Ellen Krekeler – Assistant Assurance, International Affairs
E-mail address(es) of contact(s)	Torsten.moser@idw.de Wolfgang.boehm@idw.de Neville.anderson@idw.de Ellen.krekeler@idw.de
Geographical profile that best represents your situation (i.e., the geographical perspective from which are you providing feedback on ED-2410). Select the most appropriate option.	Europe
	If "Other", please clarify
The stakeholder group to which you belong (i.e., the perspective from which are you providing feedback on ED-2410). Select the most appropriate option.	Jurisdictional or other standard setter
	If "Other", please specify
Should you choose to do so, you may include information about your organization (or yourself, as applicable).	The Institut der Wirtschaftsprüfer in Deutschland e.V. [Institute of Public Auditors in Germany, Incorporated Association] (IDW) is a privately run organisation established to serve the interests of its members who

	comprise both individual Wirtschaftsprüfer [German Public Auditors] and Wirtschaftsprüfungs- gesellschaften [German Public Audit firms]. The IDW represents approximately 80% of all German Public Auditors. The IDW is also the widely recognized national standard setter for auditing, assurance and other related services engagements in Germany.

Should you choose to do so, you may provide overall views or additional background to your submission. **Please note that this is optional**. The IAASB's preference is that you incorporate all your views in your comments to the questions (also, Question 16 in Part B allows for raising any other matters in relation to ED-2410).

Information, if any, not already included in responding to the questions in Part B:

Dear Tom and Willie,

Thank you for the opportunity to comment on the Exposure Draft of Proposed International Standard on Review Engagements 2410 (Revised): Review of Interim Financial Information by the Independent Auditor of the Entity's Financial Statements (hereinafter referred to as "the ED").

Overall, we very much appreciate the work that was done in preparing the ED for exposure and recognize the high quality of much of the technical content of the ED. We commend the work that was done in preparing the ED for exposure. We are supportive of some changes, such as updating the extant standard to clarity format and reinforcing professional skepticism. We also note several areas of agreement, such as the updates to the introductory section and the proposed changes to materiality. We also believe that guidance provided in the application material could support the IAASB's objective to promote consistent practice.

Nevertheless, we have some concerns that we address in our responses to the questions below. In particular, we are concerned that the ED reflects the expectations of some stakeholders that are not necessarily aligned with the public interest that reflects the desire of capital markets and hence legislators for a proportionate engagement of substantially lower cost and higher speed to market through the nature of a review engagement performed primarily using inquiry and analytical procedures (at least prior to the "deep dive"). This has implications for the "dividing line" between the review procedures before and after the "deep dive" (particularly for fraud, NOCLAR and going concern) and for the appropriateness of providing auditor conclusions in the review report on going concern matters when the going concern basis of accounting is appropriate and there are no material uncertainties. In this vein, as rule ISRE 2410 should depart in substance from ISRE 2400 only when there are issues resulting from having the auditor of the annual financial statements perform the review. The proposed changes to ISRE 2410 should recognize the work effort performed in an ISRE 2410 engagement very often begins with an "audit-based understanding", while at the same time recognize that performance requirements should be limited to those needed to obtain limited assurance to enable the auditor to express the limited assurance review conclusion: the requirements should not reflect the interim work that may be done for the audit of the annual financial statements or work often done due to firm risk management policies. Throughout our submission as follows, we identify matters that clarify this together with our suggested changes to help reinforce this core position and that a review is not a "scaled-down audit": it is a distinct engagement with a different objective, a different evidential basis and therefore results in a different form of conclusion. More clarity is also required on the level of understanding of internal control needed (as opposed to what is not needed).

We note that requiring clearer guidance is not the same as requiring more guidance. We have also limited our suggested additions primarily to further alignment with ISRE 2400, recognition of the special nature of reviews of condensed interim financial information, clarification of what "primarily inquiry and analytical procedures" means, recognizing an additional precondition for acceptance of the engagement, and aligning the application material between fraud an NOCLAR. We would not support adding considerably more application material because we believe the standard is already quite fulsome: in fact, the reporting section on going concern has become far too complex.

We hope that you find our response useful and would be very pleased to be of further assistance.

Kind regards,

Torsten Moser	Wolf Böhm
Executive Director	Technical Director Assurance Standards

PART B: Responses to Questions in the EM for ED-2410

For each question, please start with your overall response by selecting one of the items in the drop-down list under the question. Provide your detailed comments, if any, below as indicated.

Overall Impact

1.	Do you agree that ED-2410 is **responsive to the public interest**, considering the qualitative standard-setting characteristics and the standard-setting actions in the project proposal? (*See Section I-A and the Appendix in the EM)*

Overall response: **Neither agree/disagree, but see comments below**

Detailed comments (if any):

Overall, even though we agree with much of the text in ED-2410, due to our concerns about a number of key issues, we question whether the ED a whole is responsive to the public interest, considering the qualitative standard setting characteristics. In particular, we have some reservations about important standard-setting actions being proposed, even if we support a large part of the actual text of the ED otherwise. For example, we are concerned about ED blurring the distinction between the work effort required for a review (prior to the "deep dive" in paragraph 70 of the ED), which primarily consists of inquiry and analytical procedures, and tests of details – particularly in relation to going concern, fraud and NOCLAR..

Concerns with Proportionality and Scalability

Throughout our submission, we identify matters that clarify that a review is not a "scaled-down audit": it is a distinct engagement with a different objective, a different evidential basis and therefore results in a different form of conclusion. This calls into question the applicability of some requirements and guidance taken from the ISAs or involving "substantive-type procedures" prior to the "deep dive" in paragraph 70 of the ED. Furthermore, what makes this standard for reviews different from ISRE 2400 is the fact that the auditor of the annual financial statements is performing the interim review. Hence, the focus of the standard ought to be on this – and in particular, the understanding that the auditor has, or ought to have, of the entity, its environment, and its internal control and how this impacts the review. It appears to us that the standard could be improved in this respect.

We consider that greater recognition beyond paragraph A8 of the ED is also needed in the standard for the simplified nature of interim financial reporting. Financial reporting frameworks for interim financial information (such as IAS 34) typically permit preparers to use estimates in circumstances that would not be permitted for the annual financial statements in the same circumstances. While this is alluded to in the application material in paragraph A8 the ED, ISSA 5000 includes application material that is much clearer about preparer responsibilities and practitioner responsibilities (to determine whether the requirements for the estimates under the reporting framework have been met) in this case. This is a fundamental difference to ISRE 2400, where the preparer responsibilities are the same regardless of the fact that a review rather than an audit is being carried out and practitioner responsibilities in the review accord with this situation. We suggest introducing into the ED (perhaps as application material to paragraph 44 of the ED) comparable with ISSA 5000 paragraphs A252 and A290 adapted for interim financial information review procedures along the following lines:

> *Some financial reporting frameworks (such as IAS 34) permit management to use estimates, rather than undertaking more detailed preparation procedures, when preparing condensed financial statements for interim purposes. In these cases, for the purposes of the interim review, the auditor's inquiries and analytical procedures would be limited to considering whether management has complied with the requirements for making such estimates and considering the reasonableness of such estimates.*

Concerns with Coherence

To the extent that a matter does not relate to the fact that the auditor of the annual financial statements is performing the interim review, coherence with ISRE 2400 should be enhanced. There are still many cases where the ED does not appear to be fully aligned with ISRE 2400, even though there are no special considerations resulting from the fact that the auditor of the annual financial statements rather than a practitioner is performing the review.

For instance, the additional parts of paragraph A103 of ISRE 2400 should be included as application material to paragraph 70 in their entirety because they explain how the deep dive operates. If ISRE 2410 is a stand-alone standard, the operation of the deep dive needs to be clear. We recommend that a systematic comparison be made to ensure that, where there are differences to ISRE 2400, these result from the fact that the auditor of the annual financial statements is performing the review.

Other Public Interest Concern: The Expectations Gap

The project proposal sets forth that the revision of ISRE 2410 seeks to address stakeholder expectations, while remaining proportionate to the purpose of such an engagement. While stakeholders that use the review report are the primary beneficiaries of standards, auditors will be the primary users of the standards, which changes the balance of expectations – particularly when tempered with proportionality considerations given the nature of the engagement. In this respect, engagement with the profession as users of the standards is important. Nevertheless, in this respect, there needs to be clear distinction between "what auditors do" due to firm quality management requirements dealing with risk management or for interim audit work (the results of which could be used for the interim review) and "what they ought to do" as being necessary for the review conclusion.

An especially important public interest concern is to avoid widening the expectation gap regarding interim financial information. It is important that users of the review report understand that the review of interim financial information is typically more limited in scope, involves considerably less work effort, and, depending upon the financial reporting framework, may rely more heavily on estimates used in preparation of condensed financial statements, than an audit of a complete set of annual financial statements.

Concerns with Implementability

In particular, and as highlighted in our answer to question 13, the ability to use estimates in such cases may make additional reporting on going concern in the auditor's report inappropriate given the significantly lower work effort for interim reviews for both management and the auditor – even after considering the change in the auditor conclusions from ISA 570 Revised (2024) to a negative assurance conclusion.

Other Public Interest Concern: Cost--Benefit

While the introductory section and related application material of the ED acknowledges why interim reviews, rather than audits, may be performed in some jurisdictions, it should provide a more detailed explanation that speed-to-market and cost considerations are themselves important public interest considerations. These considerations drive both the provisions allowing the use of condensed interim financial statements (which may, in some cases, rely more heavily on estimates) and the legal provisions to perform a review rather than an audit.

2.	Do you agree that ED-2410 strikes **an appropriate balance** between the work effort required to express a limited assurance conclusion on the interim review engagement, and more robust requirements in the public interest in certain areas (e.g., going concern, fraud and non-compliance with laws and regulations)? You are invited to include as part of your response insights on **the implications or effects** of implementing the proposed standard.

Overall response: **Disagree, with comments below**

Detailed comments (if any):

We disagree with the premise that requirements in relation to going concern, fraud and NOCLAR that have been added in recent years to the ISAs are commensurate with public interest in the context of an interim review because the question presumes that more robust requirements in these areas are per se in the public interest, rather than recognizing that the nature of a review means that such requirements may not be in the public interest. Please refer to our comments in particular in question 12 and 13 regarding going concern and NOCLAR.

Our view is that work effort required to express a limited assurance conclusion is not appropriately balanced with the new requirements introduced in the exposure draft. We also believe that in several places, the ED blurs the distinction between the work effort required for a review (prior to the "deep dive" in paragraph 70 of the ED), which primarily consists of inquiry and analytical procedures, and tests of details. We are concerned that the work effort performed is moving closer to a reasonable assurance work effort. Thus, there needs to be a greater distinction between the work effort required for going concern, fraud and NOCLAR prior to the "deep dive" and that which may be required for the "deep dive". Please also refer to our response in questions 5, 12 and 13 for further details.

We believe that the effect of implementing the standard will be to widen the expectation gap considerably, particularly in relation to going concern, fraud and NOCLAR.

Professional Skepticism and Professional Judgment

3.	Does ED-2410 appropriately address the foundational concepts of professional skepticism and professional judgment, and the importance of applying these concepts throughout the interim review engagement? If not, what more might be needed in this regard? *(See Section I-B, paragraph 22(a) in the EM)*

Overall response: **Yes (with no further comments)**

Detailed comments (if any):

Fundamental Principles of an Interim Review Engagement

4.	Does the Introduction section of ED-2410 provide a clear description of the nature and purpose of an interim review engagement, and how it differs from an audit of financial statements, to provide foundational context for the work effort needed to achieve the objective of the engagement? *(See Section I-B in the EM)*

Overall response: **Yes, with comments below**

Detailed comments (if any):

As mentioned in question 1, the introductory section and its application material could provide a more detailed explanation that speed-to-market and cost considerations are themselves important public interest considerations. These considerations drive both the provisions allowing the preparation of condensed interim financial statements (which may, in some cases, rely more heavily on estimates) and the legal provisions to perform a review rather than an audit.

We are concerned about the ED not addressing the relationship between the interim audit procedures performed for the audit of the annual financial statements and the interim review. While paragraph A91 of the ED explains that certain procedures performed for the purpose of the interim review may also provide information that is relevant to the audit of the annual financial statements, no mention appears to be made that the evidence obtained from the interim audit procedures performed for the audit of the annual financial statements may also provide evidence and affect the design and performance of review procedures for the interim review. In this case, clarification is needed that just because evidence obtained from the interim audit procedures performed for the audit of the annual financial statements may also provide evidence and affect the design and performance of review procedures for the interim review, this does not imply that such interim audit procedures are a part of, or required for, an interim review engagement.

We also believe that further clarification is required with respect to the nature and extent of an auditor's required understanding of the understanding of the entity, and its environment, the applicable financial reporting framework, and the entity's internal control. This also applies when the auditor is engaged to perform the interim review for the first time when the auditor has not audited the previous annual financial statements. We address this concern in greater detail in our responses to questions 6 and 7.

5.	Is ED-2410 sufficiently clear that while the auditor performs primarily inquiries and analytical procedures, *all procedures* performed for the purpose of achieving the overall objective of the interim review engagement are "review procedures"? If not, what suggestions do you have to make this clearer? *(See Section I-F, paras. 44-47 in the EM)*

Overall response: **No, with comments below**

Detailed comments (if any):

We consider that the definition of "review procedures" correctly reflects the intention that an interim review engagement consists primarily of inquiry and analytical procedures, but that other review procedures performed for the purposes of the review are also "review procedures" (whether performed before or for the "deep dive"), without giving the impression that such other review procedures outside of the "deep dive" and perhaps paragraph A137 (last sentence) comprise a substantial part of the interim review. However, this is not obvious to readers. Furthermore, in some cases other review procedures may simply be both more efficient than, and at least as effective as, performing inquiry and analytical procedures and in these cases, auditors should be able to choose to do those other review procedures rather than inquiry and analytical procedures. We therefore suggest adding the following an application material paragraph referenced to the definition:

> *A11A. While the auditor performs primarily inquiries and analytical procedures in a review of interim financial information, any other review procedures that the auditor deems necessary for the purpose of achieving the overall objective of the interim review engagement, including other review procedures that the auditor chooses to perform rather than inquiry and analytical procedures because, in the auditor's judgment, those other procedures are both more efficient than, and at least as effective as, performing inquiry and analytical procedures, are also review procedures and are therefore termed "other review procedures".*

However, we are concerned that the definition is not consistently applied later on in the ED, which suggests that the standard is drifting towards more other review procedures rather than remaining within the "primarily inquiry and analytical procedures" space. Paragraph 44, for instance refers to "…inquiries, analytical procedures and other review procedures". This suggests that "other review procedures" are just prevalent as each of inquiries and analytical procedures in a review engagement, which undermines the premise that review engagements consist primarily of inquiries and analytical review procedures. It would be more consistent and appropriate if paragraph 44 were simply to refer to "…review procedures" as a defined term.

Similarly, paragraph A82 the reference "… procedures other than inquiries, analytical procedures, and the procedures specifically required by this ISRE,…" would be simpler and more consistent, as well as more appropriate, if it referred to "…review procedures". Given its context, it would also be helpful for paragraph A82 to then also refer to our suggested application material paragraph A11A. In this context, the example in paragraph A82 about reading the contract really belongs as an example to paragraphs 70 and 90. Consequently, this example should be at the end of the paragraph.

On the other hand, paragraph A84 appears to go too far in the other direction. This paragraph ought to start with "Unless paragraph 70 applies, an interim review does not ….". Performing tests of controls and substantive procedures may be necessary when in the "deep dive".

As noted below in question 11, in A102 the bullet "Reading correspondence, if any, with the relevant licensing or regulatory authorities" is not a typical review procedure but inspection. We suggest "inquiring about issues with relevant licensing and regulatory authorities ", instead. The same applies to the requirement in paragraph 47, for which the "reading" of the minutes should be changed to inquiry about matters at meetings that may affect the interim financial information. The reference to reading the minutes in paragraph A85 and A 91 would need to be changed accordingly.

As noted below in question 12, the examples in A112 appear to go beyond normal review procedures and would only come into play when the auditor believes that the financial information may be materially misstated and the "deep dive" applies due to (for the first example) the auditor having indications that the intent and ability of the party may not be given, and (for the second example) the auditor having indications that the calculation is not accurate or not applied in accordance with the assumptions and methods selected. The procedures could be better provided as examples of procedures that would apply in the "deep dive" in relation to going concern matters as application material to paragraph 70.

Approaching an Interim Review Engagement in Accordance with ED-2410

6.	Is it sufficiently clear that, for recurring engagements, the auditor leverages the knowledge and understanding obtained from previous annual audits and interim review engagements for the entity? If not, what suggestions do you have to make this clearer? *(See Section I-B and Section I-F, paragraphs 44-52 in the EM)*

Overall response: <u>**No, with comments below**</u>

Detailed comments (if any):

The raison d'être of ISRE 2410 (given the existence of, and contrast with, ISRE 2400) is that, except for first-time review engagements performed under ISRE 2410, the auditor of the annual financial statements is performing the review with the understanding of the entity, and its environment, the applicable financial reporting framework, and the entity's internal control obtained from a previous annual audit engagements for the entity. We are concerned that the proposed changes to ED-2410 – which have extensively drawn from ISRE 2400 given the ISRE 2410 standalone nature and because it is also a limited assurance engagement – does not presume or acknowledge an audit base of knowledge. Accordingly, several of the proposed changes are unclear in terms of how the auditor can or should apply that audit base of knowledge.

We acknowledge that paragraph A3 of the ED explains that the auditor updates this understanding, which assists with designing the review procedures. However, this does not imply that an interim review is not a stand-alone engagement to support a separate limited assurance conclusion – it only implies that the understanding obtained previously is used as evidence to support that conclusion.

We also believe that repeating the words "understanding of the entity, and its environment, the applicable financial reporting framework, and the entity's internal control" is cumbersome and therefore suggest that the term like "audit-based understanding" be introduced as shorthand. In fact, based on our analysis below, the term "audit-*based* understanding" may in fact be more appropriate.

In contrast to paragraph A3, the requirement in paragraph 43 requires the auditor to "obtain" (not update) this understanding as it relates to the preparation of both the annual and interim financial statements.

Unless we are dealing with first-time interim review engagements for cases in which the auditor has not audited the previous annual financial statements, it seems to us that the auditor does not "obtain" this understanding for the preparation of the annual financial statements but is only required to update it (nevertheless recognizing the nature of an ISRE 2410 engagement being a stand-alone engagement). The same principle applies to obtaining an understanding for the preparation of the interim financial information. It seems to us that the related application material in paragraphs A73 and A 74 is not consistent with this. Furthermore, paragraph A75 appears to contradict paragraph A76: paragraph A75 speaks about obtaining an understanding of internal control (which has a very specific meaning in the ISAs), whereas paragraph A76 suggests that the level of understanding (or its update) is not the same as for an audit due to not requiring an understanding of internal control components or the performance procedures to obtain evidence about the design and implementation of controls, and the use of inquiries. While we agree with the limitation on the understanding set forth in paragraph A76 for purposes of the review, this does not answer the question as to what level of understanding is required as opposed to what is not.

It is therefore unclear as to what the nature and extent of understanding required is. While we are very much in favor of a principles-based approach that permits considerable auditor judgement on the nature and extent of understanding required depending upon the circumstances, the way these paragraphs have been written, the underlying principles are not clear and therefore we believe that they will be subject to vastly different interpretation among practitioners in similar situations, and that this lack of clarity is likely to be filled by national audit oversight authorities. In any case, the list of procedures in paragraph A74 would not lead to an audit-level understanding or an update thereof, which is why we believe that in fact we are not dealing with an "audit-level understanding", but an understanding *based upon* the understanding of the entity, and its environment, the applicable financial reporting framework, and the entity's internal control obtained in previous audits of the annual financial statements and interim reviews (i.e, an "audit-*based* understanding") through an update undertaken primarily through inquiries. As noted above, this approach does not resolve the question of the depth of the update of the "audit-based understanding" through inquiries with respect to the entity, its environment and in particular, the entity's internal control (i.e., what is required as opposed to what is not).

We also believe there needs to be a distinction in paragraph A74 between the nature of the procedures involving work already done by the auditor compared to new work being done. In our view, the first three bullets relate to work that has already been done by the auditor, so asking the auditor to read or consider the noted matters is appropriate. The other matters thereafter relate to obtaining new evidence, for which inquiry appears appropriate, as set forth in in the last two bullet points. On this basis, the fourth bullet should address inquiring about the results of internal audit activities, etc.

For paragraph A74, we also question the use of "ordinarily", which implies that the procedures need to be done as a rule – that is, only in exceptional circumstances would they not be done.

7.	Do you agree with the considerations that apply when the review of interim financial information is the first engagement performed for the audit client? If not, what suggestions do you have for additional considerations related to first-time interim review engagements? *(See Section I-F, paras. 48-52 in the EM)*

Overall response: **Neither agree/disagree, but see comments below**

Detailed comments (if any):

In line with our response to question 6, the effort required of a practitioner undertaking an interim review as the first engagement of a new audit appointment versus that required for a practitioner who has previously performed an audit of the entity's financial statements ought to be more clearly articulated. While it is appropriate for the standard to recognize that as the auditor of an entity, the practitioner will have more knowledge than that of a practitioner performing a standalone review without being the auditor of the entity, the work effort for the interim review engagement must be commensurate with the nature of the engagement. We refer to our response to question 6, which explains our concerns with the lack of clarity.

We support the clarification in paragraph A77 that "The auditor may decide to perform the procedures needed to obtain the understanding of the entity and its environment and the entity's system of internal control required for the purposes of the audit of the annual financial statements." and recommend that it be extended also to cover the considerations relating to predecessor auditors in paragraphs A78 and A79. However, this should not be addressed in a manner that suggests that this approach is required to obtain the "audit-based understanding" required for the review.

Materiality

8.	Do you agree with the requirement for the auditor to determine materiality for the interim review engagement, and the related application material that describes the relevant principles that apply? If not, what would you suggest? *(See Section I-F, paragraphs 41-43 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

The concept of materiality comparing the annual financial statements audit to the review of interim financial information remains problematic. Some issues were resolved in the final drafting of the ED, but the result does not really help to reconcile the core issue related to performance benchmarks (e.g. sales or earnings). For a shorter interim period, such benchmarks are naturally lower than for a full year and would strongly indicate a lower materiality for the interim. But the preparation of interim financial information and hence the performance of an interim review, by their nature, are not expected to be more precise than an annual audit and so this result is counterintuitive. The application material does not appear to resolve this tension, but it does provide important flexibility in paragraph A68 "...the auditor may decide to use the same benchmark and an appropriate percentage as a starting point ..." The obvious example of normalized amounts based on cyclical variations does not address the most common case: where there are no cyclical variations. Overall, we are not convinced that adding additional application material to cover the many potential considerations involved in making the judgements about materiality would be useful.

Group Interim Review Engagements

9.	Overall, do you agree that ED-2410 is capable of being applied for the review of interim financial information of groups? If not, please explain your reasons, and provide suggestions for additional requirements or application material that might be needed. *(See Section I-F, paragraphs 37-40 in the EM)*

Overall response: **Agree, with comments below**

Detailed comments (if any):

No comments - see question 10.

10.	Are the requirements in ED-2410 that address specific considerations related to group interim review engagements appropriate? If not, please explain your reasons, and provide suggestions for additional requirements or application material that might be needed. *(See Section I-F, paragraphs 37-40 in the EM)*

Overall response: **<u>Yes, with comments below</u>**

Detailed comments (if any):

While the requirements overall are reasonable, some of the wording in paragraph A63 is potentially confusing. The use of the phrase “and often will” in relation to the group engagement partner determining whether component auditors are to be involved could be interpreted to mean “should be in most cases” and result in unnecessary work effort. Also, clarification of what it is meant by the component auditor being asked to “provide information” is required. If this refers to documentation of review procedures and other matters, this should be clearly stated. We suggest that the words “and often will” be replace with “and sometimes will”.

We also note that A64 omits a key reason for involving component auditors: when they have more experience and understanding of the component and its environment. This could be added to the first bullet in A64 or as a separate bullet.

Fraud and Non-Compliance with Laws and Regulations (NOCLAR)

11.	Do you agree that the work effort requirements related to fraud and NOCLAR are appropriate and proportionate to the circumstances of an interim review engagement, recognizing that the engagement is performed by the auditor of the entity's annual financial statements and has responsibilities related to fraud and NOCLAR in the context of that engagement? If not, please explain your reasons, and provide suggestions for the auditor's approach to fraud and NOCLAR in an interim review engagement. *(See Section I-F, paras. 54-56 in the EM)*

Overall response: **Disagree, with comments below**

Detailed comments (if any):

In our view, for both fraud and NOCLAR there needs to be a much clearer distinction between the normal review procedures (primarily inquiry and analysis) and the deep dive, which may include additional procedures beyond inquiry such as obtaining an understanding, evaluating matters, and reading correspondence. Not making this clear distinction between the nature of a review vs. an audit has the potential to widen the expectations gap about reviews. Furthermore, issues in relation to fraud and NOCLAR should be limited to those that impact the interim financial information (see our response to question E.1).

In particular, the requirements for fraud and NOCLAR to obtain an understanding of the matter and evaluate the impact on the financial statements both go beyond a review engagement based on primarily inquiry and analysis and represent the procedures that would be performed in a "deep dive" und paragraph 70.

On this basis, paragraphs 54 (a) and 56 (a) should be changed to "inquire about the matter…" and "inquire about the nature of the act…", respectively, and paragraphs 54 (b) and 56 (b) should be changed to "obtain further information through inquiries and consider whether …" and "further information through inquiries to consider the…". The related application material paragraph would need to be adjusted accordingly.

The need to obtain an understanding or evaluate these matters could be provided as example for the "deep dive" in the application material to paragraph 70.

Consideration should be given to adding application material similar to A99 as set forth for fraud for NOCLAR stating:

> *A101A. The procedures performed in accordance with paragraph 56 are for the purpose of helping the auditor consider whether the non-compliance or suspected non-compliance with laws and regulations identified may have a material effect on the interim financial information. If this consideration causes the auditor to believe that the interim financial information may be materially misstated, the auditor is required to perform additional procedures in accordance with paragraph 70.*

In A102 we are concerned that the example procedures belong more suitably to a deep dive, for instance, the bullet "Reading correspondence, if any, with the relevant licensing or regulatory authorities" is not a typical review procedure but inspection. Furthermore, we believe that for a review engagements, the auditor would generally only seek legal advice when in the deep dive under paragraph 70, so this application material should be move to that related to paragraph 70.

Going Concern

Questions 12 and 13 below address both the auditor's work effort related to going concern in an interim review engagement and transparency about going concern in the interim review report.

12.	Do you agree that the work effort requirements related to going concern are appropriate and proportionate to the circumstances of an interim review engagement, recognizing that the engagement is performed by the auditor of the entity's annual financial statements and has responsibilities related to going concern in the context of that engagement? If not, please explain your reasons and provide suggestions for how ED-2410 should address the auditor's responsibilities related to going concern in an interim review engagement. *(See Section I-F, paras. 57-61 in the EM)*

Overall response: **Disagree, with comments below**

Detailed comments (if any):

In our view, there needs to be a clearer distinction between the normal review procedures (primarily inquiry and analysis) and the deep dive when going concern issues are identified. This may include dealing with going concern issues that existed in the previous annual financial statements.

In particular, the requirement in paragraph 63 (c) appears to be an open-ended requirement where audit regulators (with hindsight) and auditors (without the benefit of hindsight) are likely to disagree as to whether, and if so, the nature and extent of other procedures necessary in the circumstances. In our view, if the results of the inquiries and considerations up to 63 (b) (iii) are such that the auditor does not believe that the interim financial information is materially misstated, then no such other procedures ought to be necessary. If the results of these inquiries and considerations are otherwise, then the "deep dive" of paragraph 70 applies, and additional procedures (and likely procedures other than inquiries) will become necessary. For this reason, we believe that item (c) in paragraph 63 ought to be deleted and its application material moved as examples to the "deep dive".

For instance, the examples in A110 and A112 appear to extend beyond normal review procedures and would be more appropriate as examples of additional work performed when indicators of going concern issues are identified that cause the auditor to believe that the financial information may materially misstated due to going concern issues.

Likewise, paragraph 64 requires an evaluation, which would exceed the work effort for a review. In our view, the word "evaluate" should be replaced with "consider". The same applies to paragraph 65.

Furthermore, there does not appear to be any recognition of the fact that some financial reporting frameworks provide for simplified approaches to assessment of going concern for interim reporting. In particular:

- Paragraph 59 may be interpreted as requiring management to prepare a formal going concern assessment in every interim review engagement even when it is not required to do this by the applicable financial reporting framework: an estimate or update may suffice for interim purposes. We recommend clarifying this and that the requirement is only necessary in the context of the applicable financial reporting framework and when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, thereby maintaining proportionality with nature of the engagement; and

- The proposed change in the commencement date of management's assessment to the date of approval of the financial statements, which results in an extension of the assessment period to twelve months after the date of the approval of the interim financial information, is not aligned with some financial reporting frameworks and may cause legal difficulties for auditors in some jurisdictions.

Overall, there appears to be a marked increase in the work effort required, more comparable to that of an audit than a review of interim financial information. We therefore consider that the proposals are not proportionate, which would widen the expectations gap for interim reviews with respect to going concern.

13.	Do you agree with the proposals to introduce a new separate section relating to going concern in the auditor's interim review report? If not, please explain your reasons and provide suggestions for how ED-2410 should address transparency about going concern in the interim review report. *(See Section I-H, paragraphs 74-79 in the EM)*

Overall response: **Disagree, with comments below**

Detailed comments (if any):

In our view, the fact that interim financial statements may only require an update or estimate of management's assessment of the entity's ability to continue as a going concern rather than a full assessment and the fact that the review conclusion is expressed in a negative form means that the description of management and auditor responsibilities for going concern and a separate section on going concern are not appropriate for a review of interim financial information. We also note that the review report, unlike the auditor's report, does not contain an explanation of the responsibilities of the auditor regarding going concern.

Consequently, we disagree with including a statement in the interim review report where there is no material uncertainty related to going concern and no significant judgements exist compared to the potential of user confusion and negatively impacting the expectations gap about the nature of reviews.

In particular:

(a) Do you agree with the proposed required statements, appropriately worded for a limited assurance engagement, relating to the going concern basis of accounting and whether a material uncertainty exists? If not, please explain your reasons and provide suggestions for how such statements should be worded in the interim review report.

Overall response: **Disagree, with comments below**

Detailed comments (if any):

As noted above, we do not believe that adding a going concern section where no material uncertainty exists is proportionate to a review of interim financial information. Even in the negative form proposed, the consequent widening of the expectation gap for review engagements is not justified in our view.

(b) Do you agree that the circumstances addressed in the requirements in paragraphs 108-111 of ED-2410 capture the most frequently encountered scenarios in practice? If not, please explain your reasons and provide suggestions for any other scenarios that should be addressed in ED-2410.

Overall response: **Disagree, with comments below**

Detailed comments (if any):

We consider that the paragraphs 108-111 (and in particular, paragraphs 109 and 111) are overly prescriptive and could be simplified to allow for the auditor to make reference to the previous audit report as they deem appropriate in the circumstances. This appears to set a new precedent, whereby reporting on developments in earlier reports from the auditor are required to be explained in subsequent reports. Again, we believe that such wording can be helpful, but consider it overly prescriptive to include this as part of the requirements.

We further note that such reporting is not required from an interim auditor's report to an auditor's report for the next interim (for instance in the case of quarterly reporting), nor to the next auditor's report on annual financial statements. Such reporting on ostensibly important developments is also not required for other important matters in the auditor's reporting, such as modifications unless they affect the period being audited or reviewed.

We therefore consider that the requirements are not consistent or compatible with the established discrete approach to auditor reporting and should therefore be simplified to remove development-driven reporting.

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(c) Do you agree with the requirement in paragraph 111 of ED-2410 to include a reference in the interim review report to disclosure(s) of a going concern matter, other than a material uncertainty (for example, a "close call") only when the matter is, in the auditor's professional

judgment, of such importance that it is fundamental to users' understanding of the interim financial information, and to do so in a manner akin to an emphasis of matter paragraph? If not, please explain your reasons and provide suggestions for how such matters should be addressed in ED-2410.

Overall response: **Disagree, with comments below**

Detailed comments (if any):

As discussed in (b) we do not agree with "development-driven" reporting from period to period, and the first bullet in A174 is an example of this.

The Auditor's Interim Review Report

General 14. Do you agree with the proposed new structure of the auditor's interim review report? In particular, consider whether the new structure may be clearer for intended users of the report since it is consistent with the structure of the auditor's report on the financial statements. If not, please explain your reasons, including any suggestions for how the interim review report can be made clearer for intended users. *(See Section I-H, paragraphs 65-68 in the EM)*

Overall response: **Neither agree/disagree, but see comments below**

Detailed comments (if any):

The proposed structure has advantages, making the conclusion more prominent and the structure more familiar for audit practitioners. On the other hand, we see similarity to the auditor's report for the annual audit rather than being aligned with the structure in ISRE 2400 as a disadvantage since it can reinforce the false impression that an interim review is comparable to a full audit.

The Auditor's Interim Review Conclusion 15. Do you foresee any practical consequences from the approach in ED-2410 that the auditor's interim review conclusion would differ, depending on whether the applicable financial reporting framework is a fair presentation framework or a compliance framework, as defined in paragraph 13(b) of ED-2410? Please be as specific as possible in describing any potential issues and suggestions for how the IAASB may address them. *(See Section I-H, paragraphs 69-73 in the EM)*

Overall response: **Yes, with comments below**

Detailed comments (if any):

In this context, it is important to distinguish between complete sets of financial statements prepared for an interim period, and condensed financial statements prepared for an interim period when the provisions of a financial reporting framework permit these.

There appears to be broad agreement that complete sets of financial statements prepared for an interim period under IFRS and other fair presentation financial reporting frameworks achieve fair presentation. The matter of contention is whether condensed financial statements prepared for an interim period, which by definition do not include all of the line items and disclosures that would be material (and permit the use of estimates otherwise not permitted for complete sets of financial statements) and therefore required for fair presentation for the complete set of financial statements, achieve fair presentation. There appears to be an inherent contradiction in the claim that material (taking into account the definition of materiality) line items and disclosures can be omitted from condensed interim financial statements yet that these still achieve the "same" fair presentation of the financial position, financial performance and cash flows as the complete set of financial statements that are required to include these material line items and disclosures. This contradiction is exacerbated by the guidance in the last three sentences of the application material to paragraph A8 of the ED, which suggests that:

- certain disclosures are not required that would have otherwise been required for a complete set of financial statements,
- management may choose to include, or be required to include in the interim financial statements a statement that the condensed interim financial information is to be read in conjunction with the latest audited annual financial statements (which suggests that the interim condensed financial information is not fairly presented on its own), and
- there is a presumption that users have access to these statements.

In this context, reference to the definition of "fair presentation" alone in the ISA 700 is not helpful because the definition focuses on the conditions under which a financial reporting framework enables financial statements to be fairly presented to be considered a fair presentation framework – it does not address what "achieve fair presentation" within that definition actually means. As paragraph 18 of ISA 700 clarifies, the question is whether financial statements "achieve fair presentation". It is the interplay between the definition of misstatement in ISA 450 for fair presentation frameworks with the description of materiality in ISA 320 paragraph 2 first bullet and the requirement of paragraph 14 of ISA 700 (in particular, paragraph 14 (b) in connection with paragraphs A8 and A9) that provides the basis for fair presentation not involving omissions considered material because they could reasonably be expected to influence the economic decisions of users. It is difficult to see how a matter that is material (and therefore needed for fair presentation of the financial position, financial performance and cash flows) is required for a complete set of financial statements but then not required for fair presentation of these for condensed financial statements, even though the omission of a material item or disclosure by definition could reasonably be expected to influence the economic decisions of users. The only other explanation would be that the materiality threshold for interim financial information considerably exceeds that for complete sets of financial statements, which is counterintuitive since the amounts in the interim financial statements are ordinarily so much smaller.

We believe that many respondents may not be aware of the issue with IFRS accounting standards in this context and the IAASB should perform further outreach with the IASB and with jurisdictional standard setters (JSS), for instance, to clarify the extent of the implications of this issue for those jurisdictions who have adopted IFRS accounting standards as their financial reporting framework.

The potential consequence that interpretations will differ from jurisdiction to jurisdiction under the same framework is something that will not be understood by ecosystem stakeholders and cause potential reputational damage for the accountancy profession in general. We therefore urge the IAASB to urgently seek a global clarification of the status of IFRS accounting standards for condensed financial statements prepared for interim purposes.

Other Matters

16.	Are there any other matters you would like to raise in relation to ED-2410? If so, please clearly indicate the specific paragraph numbers of any requirements, application material, or Appendix, to which your comments relate. If you provide views on other matters, please use subheadings in your response to clearly identify and distinguish different matters.

Overall response: **Click to select from dropdown menu**

Detailed comments (if any):

Other matters not identified in the questions 2 to 15 above are as follows:

1. As mentioned in question 1, there are still many cases where ISRE 2410 does not appear to be fully aligned with ISRE 2400, even though there are no special considerations resulting from the fact that the auditor of the annual financial statements rather than a practitioner is performing the review. A systematic comparison needs to be made to ensure that, where there are differences, these result from the fact that the auditor is performing the review. For instance, the additional parts of paragraph A103 of ISRE 2400 should be included as application material to paragraph 70 in their entirety because they explain how the deep dive operates. If ISRE 2410 is a stand-alone standard, the operation of the deep dive needs to be clear.
2. Paragraph 7 relates to the situation when the auditor is in the "deep dive" under paragraph 70. Applying the requirement in paragraph 70 and its application material may lead to a modification of the review conclusion, including to an adverse conclusion and the disclaimer of a conclusion, neither of which represents a limited assurance conclusion. Consequently, the words "to be able to express a limited assurance conclusion" in paragraph 7 need to be changed to read "to be able to conclude".

3. With respect to alignment with ISRE 2400 (Revised), we asked ourselves why the requirement in ISRE 2400.48 (c) (i)-(vi) was not included in paragraph 45 of ED-ISRE 2410. It seems to us that these requirements apply equally engagement performed und ISRE 2410. The same applies to the requirement in paragraph ISRE 2400.48 (i) and the requirement in paragraph ISRE 2400.61(g), which was not included in paragraph 76 of the ED.

4. The engagement partner's documentation responsibility in paragraph 23(c)(iv) is unclear (no work effort verb) and appears to exceed ISA 220 (Revised). Existing documentation requirements already address this responsibility.

5. Reference should be made in the preconditions for accepting an interim review engagement to situations when an engagement does not meet the preconditions of agreeing to an interim review engagement, but an interim review engagement is required by law and regulation, in which case the auditor can conduct the interim review engagement, but such engagement does not comply with ISRE.

6. The written representations section is placed before the accumulation and evaluation of misstatements. We suggest bringing the accumulation and evaluation of misstatements before written representation for ease of flow and written representation are usually obtained after evaluation of misstatements.

7. The requirement in paragraph 86 on other information is not aligned with either ISA 720 (Revised) or ISSA 5000. It should read: “The auditor shall read the other information, and in doing so, consider…” With respect to other information, we note that the term “material misstatement of the other information” is used. This is a defined term in ISA 720 (Revised) and in ISSA 5000 because it is substantially different than a material misstatement in the financial statements or in the sustainability information, respectively. For this reason, a definition of “material misstatement of the other information” needs to be introduced into the definitions section.

8. The third sentence of paragraph A1 is unclear: the words “of the previous annual financial statements” should be inserted in between the words “auditor” and “may not”. We strongly disagree with the last sentence of paragraph A9, which has no counterpart in any of the other IAASB standards. It suggests that a disclaimer of conclusion cannot stand on its own because withdrawal is superior to a disclaimer of conclusion. We believe the opposite is the case: a disclaimer of conclusion is superior because users are informed of the matter. We recommend that the last sentence be deleted.

9. In line with ISRE 2400 and ISA 200, the words “known by the auditor” should inserted after the words “interim review engagement” in paragraph A26

10. In paragraph A29, in line with CUSP, bullet points should be used.

11. The last half of the sentence in paragraph A32 beginning with “and communicate” is not reflected in the requirements or in ISQM 1. Either a requirement to this effect needs to be added or this part of the sentence deleted.

12. Paragraph A39 belongs in the section on acceptance and continuance, since it does not directly relate to firm policies on the matter.

13. In paragraph A46, the condition that the criteria (the financial reporting framework) be available to intended users is not in the requirements, unlike the requirement for suitability (acceptability). We

suggest that the missing requirement be added to paragraph 25 (a) or that the noted phrase be deleted.

14. Paragraphs A54 confuses the use of separate engagement letters with the review engagement for the interim financial information being a separate engagement from the audit of the annual financial statements. Even if the two engagements are legally separate engagements due to differing underlying legislative requirements, this does not necessarily hinder the two separate engagements from being contracted within one engagement letter. The application material now suggests that two separate engagements imply two separate engagement letters. What matters is the recognition in this paragraph that in the case of differing underlying legislative requirements, the two engagements are legally separate engagements, regardless of whether they are being contracted by means of one engagement letter or two. We suggest that this paragraph be rewritten to clarify this.
15. In relation to paragraph A56, one of the matters that ought to be included in the list of matters that may be addressed in the engagement letter is that evidence obtained from interim procedures performed for the audit of the annual financial statements may be used for the purpose of the interim review and vice-versa. This is important when the two engagements are legally separate engagements.
16. In relation to paragraph A62, we note that the restrictions on such communication as set forth in paragraph A63 of ISRE 2400 have not been taken into account. We believe this ought to be added to paragraph A63.
17. Paragraph A136 requires the insertion of “a misstatement” after the word “if” in the first sentence.
18. In paragraph A137, the reference should be to “other procedures”, not “additional procedures”, since the latter refer to those procedures performed under paragraph 70.
19. In paragraph A138, the words “performed further procedures” should be replace with “obtained further evidence”, since “further procedures” is a defined term in the ISAs.
20. Since in most cases, national standard setters will adopt ISRE 2410 into national standards, a paragraph beyond paragraph A183 in line with ISA 700 paragraph 51 is required to explain the situation when auditors refer to ISRE 2410 in addition to their national standard.

Translations

17.	Recognizing that many respondents may intend to translate the final standard for adoption in their own environments, have you identified any potential translation challenges or issues? If so, please describe the issue identified and clearly indicate the specific paragraph numbers of any requirements, application material, or specific illustrations or appendices to which your comments relate.

Overall response: **No response**

Detailed comments (if any):

Click or tap here to enter text.

Effective Date

18.	The IAASB believes that an appropriate implementation period would be approximately 18 months after the expected date of approval of the proposed revised standard. Do you agree that this will provide a sufficient period to support effective implementation of the proposed standard? If not, what do you propose and why? *(See Section I-I, paragraphs 85-86 in the EM)*

Overall response: **<u>Agree (with no further comments)</u>**

Detailed comments (if any):

Click or tap here to enter text.

Questions to Inform the International Ethics Standards Board for Accountants (IESBA)

The IESBA is seeking views from respondents related to the application of the IESBA Code. Respondents for whom these questions are relevant are encouraged answer these questions to inform the IESBA's consideration of the need for any future actions.

(See the Introduction, paragraphs 12-14, and Section I-C in the EM)

Group Interim Review Engagements

E.1. Recognizing that ED-2410 requires the auditor to comply with relevant ethical requirements, including those related to independence, when performing an interim review engagement:

(a) Given the context set out in Section I-C, paragraph 28, in the EM and taking into account that Part 4A of the Code applies to both audit and review engagements unless otherwise stated, do you believe there is a need to clarify the application of Section 405 with respect to group review engagements, including group interim reviews? If so, please explain why. Also explain what clarifications would be useful and whether they should be made inside or outside the Code.

Overall response: **No, with comments below**

Detailed comments (if any):

We note that the ED does refer to ethics requirements and requires the engagement partner to take responsibility for confirming that component auditors are compliant. This is not as prescriptive as ISA 600 (Revised). For example, paragraph 17 of ISA 220 (Revised) and paragraph 25 of ISA 600 (Revised) require the group engagement partner to take responsibility for component auditors having been made aware of relevant ethical requirements. And paragraph A69 of ISA 600 (Revised) has guidance on addressing breaches.

Some may suggest that these elements need to be added, but given the fact that much of ISA 600 (Revised) has been omitted (e.g. requirements on component performance materiality, communication with component auditors) for proportionality and simplicity reasons, it would seem incongruous to add extra detail on the ethics side. Such an approach would quickly lead to a separate standard, which is not what is called for. Furthermore, making it explicit would imply that Section 405 of Code applies.

We believe section 405 of the Code is already far to prescriptive and detailed and should be simplified and more principles based. Adding even more detail to the Code would clearly be disproportionate in our view.

Non-compliance or Suspected Non-compliance with Laws and Regulations

E.1.	Recognizing that ED-2410 requires the auditor to comply with relevant ethical requirements, including those related to independence, when performing an interim review engagement: (b) Do you believe the application of the Code as described in Section I-C, paragraph 29, in the EM is clear when information concerning non-compliance or suspected non-compliance with laws and regulations comes to the auditor's attention when performing an interim review engagement? If not, please explain why. Also explain what clarifications would be useful and whether they should be made inside or outside the Code.

Overall response: **Neither yes/no, but see comments below**

Detailed comments (if any):

The IESBA staff view noted in paragraph 29 of the EM that "in practice, there should ultimately be no divergence in how the firm would respond to the NOCLAR or suspected NOCLAR in the context of the interim review engagement vs. in the context of the audit engagement." shows a lack of recognition of the significance of the nature of the engagement. In this case what matters is not the audit vs. non-audit distinction, but the nature and extent of information or evidence that the engagement requires to enable the professional accountant in public practice to draw a conclusion, if any, or form an opinion. In this context, we believe that the IESBA has simply adopted aspects of the ISA 250 (Revised) model (in particular aspects of ISA 250 (Revised) from paragraph 19 onwards) to non-audit engagements – and in particular limited assurance engagements – without considering whether they are appropriate in those circumstances, and thereby has extended the scope of those engagements.

This is exemplified through the requirement in IESBA NOCLAR R360.29 to seek to obtain an understanding of a matter (the nature of the matter and the circumstances in which it has occurred or may occur) when actual or suspected NOCLAR is identified.

As noted before, a review is based primarily on inquiry and analysis. Hence prior to undertaking his or her own investigation to obtain this understanding, in a review engagement the practitioner makes inquiries of management and where appropriate, those charged with governance prior to needing to perform additional procedures through the "deep dive": in a review engagement, in these cases a practitioner is required to perform procedures beyond inquiry only if the practitioner becomes aware of matter(s) that causes the practitioner to believe that the financial statements may be materially misstated, and then can be satisfied with the resulting evidence if he or she is able to conclude that the matter(s) is not likely to cause the financial statements to be materially misstated. In contrast, the IESBA NOCLAR R360.30 requires a discussion with management after the practitioner investigates to seek to establish his or her own understanding. In addition, IESBA NOCLAR does not specify what the threshold is for further investigation or action once having discussed the matter with management or those charged with governance. These differences to ISRE 2400 (Revised) and ED-ISRE 2410 also suggest that IESBA NOCLAR requires a work effort beyond that which would be required for a review and thereby expands the scope of a review engagement.

Based on this analysis, IESBA has changed the scope of a review to include non-compliance not relevant to the review (i.e., the IESBA is requiring some kind of comfort, assurance or investigation on NOCLAR). The same applies to other reasonable (other than audits) and limited assurance engagements under IAASB engagement standards. The IESBA should therefore consider limiting the required response to derivative reporting, rather than requiring the practitioner to seek to obtain an independent understanding of the matter in all cases, in order to avoid the additional scope of non-audit assurance engagements beyond the IAASB standards.

Overall, we consider section 360 of the Code is already far too prescriptive and detailed and should be simplified and more principles based. Adding even more detail to the Code to deal with ISRE 2410 would clearly be disproportionate in our view. With respect to NOCLAR – in particular for review and other non-audit engagements, we believe that the non-alignment with IAASB engagement standards only ought to be addressed as part of the post-implementation review of NOCLAR.

This document was prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB).

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.