

Compiled Auditing Standard

ASRE 2410

(August 2008)

**Auditing Standard on Review
Engagements ASRE 2410**
*Review of Interim and Other
Financial Reports Performed
by the Independent Auditor of
the Entity*

This compilation was prepared on 21 August 2008 taking into account amendments made up to and including 21 August 2008.

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Australian Government

Auditing and Assurance Standards Board

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SUPERSEDED

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COMPILATION DETAILS

Auditing Standard on Review Engagements
ASRE 2410 Review of Interim and Other Financial
Reports Performed by the Independent Auditor of the
Entity as Amended

This compilation takes into account amendments up to and including 21 August 2008 and was prepared on 21 August 2008 by the staff of the Auditing and Assurance Standards Board (AUASB).

This compilation is not a separate Auditing Standard made by the AUASB. Instead, it is a representation of ASRE 2410 (April 2006) as amended by other Auditing Standards which are listed in the Table below.

Table of Standards

Standard	Date made	Operative date
ASA 2410	28 April 2006	1 July 2006
ASA 2007-1	27 June 2007	1 July 2007 (Auditor's reports signed and dated on or after 1 July 2007)
ASA 2008-1	21 August 2008	1 October 2008 (Engagements commencing on or after 1 October 2008)

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
Appendix 1 – Example of an Engagement Letter for a Review of an Interim Financial Report	Amended	ASA 2007-1 [18]
Appendix 3 - Example of an Unmodified Auditor's Review Report on a Half-Year Financial Report – Single Disclosing Entity	Amended	ASA 2007-1 [19]
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Paragraph affected	How affected	By ... [paragraph]
Appendix 4 - Example of an Auditor's Review Report with a Qualified Conclusion for a Departure from the Applicable Financial Reporting Framework	Amended	ASA 2007-1 [19]
Appendix 4 - Example of an Auditor's Review Report with a Qualified Conclusion for a Limitation On Scope Not Imposed by Management	Amended	ASA 2007-1 [19]
Appendix 4 - Example of an Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework	Amended	ASA 2007-1 [19]
Appendix 4 - Example of an Auditor's Review Report with a Qualified Conclusion on the Basis that Comparatives have not been Reviewed or Audited	Amended	ASA 2007-1 [19]
The title of the Auditing Standard	Amended	ASA 2008-1 [4]
References to the title in the Appendices	Amended	ASA 2008-1 [5]
1(b) Application	Amended	ASA 2008-1 [6]
4(a) Introduction	Added	ASA 2008-1 [7]
4(b) Introduction	Added	ASA 2008-1 [7]
5 Introduction	Amended	ASA 2008-1 [8]
6(a) Introduction	Added	ASA 2008-1 [9]
9 Footnote 2	Amended	ASA 2008-1 [10]
70(d) Reporting	Amended	ASA 2008-1 [11]
70(e) Reporting	Deleted	ASA 2008-1 [12]
70(g) Reporting	Amended	ASA 2008-1 [13]
99 Conformity	Added	ASA 2008-1 [14]
99 Conformity	Amended	ASA 2008-1 [15]
99 Conformity	Amended	ASA 2008-1 [16]
99 Conformity	Amended	ASA 2008-1 [17]

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AUTHORITY STATEMENT

Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* (as amended 27 June 2007 and 21 August 2008) is set out in paragraphs 1 to 99 and Appendices 1 to 4.

This Auditing Standard is to be read in conjunction with the *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the Auditing Standards are to be understood, interpreted and applied.

The mandatory requirements of this Auditing Standard on are set out in **bold-type** paragraphs.

AUDITING STANDARD ASRE 2410

The Auditing and Assurance Standards Board (AUASB) made Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*, on 28 April 2006.

This compiled version of ASRE 2410 incorporates subsequent amendments contained in other Auditing Standards made by the AUASB up to and including 21 August 2008 (see Compilation Details).

STANDARD ON REVIEW ENGAGEMENTS ASRE 2410

Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity

Application

- 1 This Standard on Review Engagements (ASRE) applies to:
- (a) a review by the independent auditor of the entity, of a financial report for a half-year in accordance with Part 2M.3 of the *Corporations Act 2001*; and
 - (b) a review, by the independent auditor of the entity, of an interim or other financial report, comprising historical financial information, for any other purpose.

Operative Date

- 2 This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2006.
[Note: For operative dates of paragraphs changed or added by an amending Standard, see Compilation Details]

Introduction

- 3 The purpose of this Auditing Standard is to establish mandatory requirements and to provide explanatory guidance on the auditor's professional responsibilities when an auditor undertakes an engagement to review an interim financial report of an audit client, and on the form and content of the auditor's review report. The term "auditor" is used throughout this Auditing Standard, not because the auditor is performing an audit function but because the scope of this Auditing Standard is limited to a review of an interim financial report performed by the independent auditor of the financial report of the entity.
- 4 For purposes of this Auditing Standard, an interim financial report is a financial report that is prepared in accordance with an applicable

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financial reporting framework¹ for a period that is shorter than the entity's financial year.

- (a) A financial report is a complete financial report which ordinarily includes accompanying notes and an assertion by those responsible for the financial report. The requirements of the applicable financial reporting framework determine the form and content of the financial report and what constitutes a complete financial report. For example, a financial report, as defined under section 303 of the *Corporations Act 2001* consists of financial statements for the half-year, notes to the financial statements and the directors' declaration about the statements and notes.
- (b) A financial report is prepared in accordance with a financial reporting framework that is designed to achieve fair presentation.

5 The auditor who is engaged to perform a review of a financial report shall perform the review in accordance with this Auditing Standard.

6 Through performing the audit of the annual financial report, the auditor obtains an understanding of the entity and its environment, including its internal control. When the auditor is engaged to review the interim financial report, under paragraph 19 of this Auditing Standard, the auditor needs to update this understanding through enquiries made in the course of the review, to assist the auditor in focusing the enquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of an interim financial report, and who is not the auditor of the entity, does not perform the review in accordance with ASRE 2410, as the practitioner ordinarily does not have the same understanding of the entity and its environment, including its internal control, as an auditor of the entity.

6(a) This ASRE is directed towards a review of an interim financial report by an entity's auditor. It is also to be applied when an entity's auditor undertakes an engagement to review a financial report comprising historical financial information.

7 Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with a

¹ For example, Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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relevant mandatory requirement in this Auditing Standard, the auditor shall:

- (a) if possible, perform appropriate alternative procedures; and**
- (b) document in the working papers:**
 - (i) the circumstances surrounding the inability to comply;**
 - (ii) the reasons for the inability to comply; and**
 - (iii) justification of how alternative procedures achieve the objectives of the mandatory requirement.**

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the auditor's review report.

General Principles of a Review of an Interim Financial Report

- 8 The auditor shall comply with the ethical requirements relevant to the audit of the annual financial report of the entity.**
- 9 These relevant ethical requirements² govern the auditor's professional responsibilities in the following areas: independence, integrity, objectivity, professional competence and due care, confidentiality, professional behaviour, and technical standards.
- 10 The auditor shall implement quality control procedures that are applicable to the individual engagement.**
- 11 The elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the engagement, ethical requirements, acceptance and continuance of

² In Australia, ethical requirements are contained in APES 110 *Code of Ethics for Professional Accountants*, as issued from time to time, by the Accounting Professional and Ethical Standards Board.

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client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring.³

- 12 The auditor shall plan and perform the review by exercising professional judgement and with an attitude of professional scepticism, recognising that circumstances may exist that cause the interim financial report to require a material adjustment for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.**
- 13 An attitude of professional scepticism means that the auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by management of the entity.

Objective of an Engagement to Review an Interim Financial Report

- 14 The objective of an engagement to review an interim financial report is to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the interim financial report is not prepared, in all material respects, in accordance with an applicable financial reporting framework. Under paragraph 19 of this Auditing Standard, the auditor needs to make enquiries, and performs analytical and other review procedures in order to reduce to a limited level the risk of expressing an inappropriate conclusion when the interim financial report is materially misstated.
- 15 The objective of a review of an interim financial report differs significantly from that of an audit conducted in accordance with Auditing Standards. A review of an interim financial report does not provide a basis for expressing an opinion whether the financial report gives a true and fair view, or is presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- 16 A review, in contrast to an audit, is not designed to obtain reasonable assurance that the interim financial report is free from material misstatement. A review consists of making enquiries, primarily of persons responsible for financial and accounting

³ The quality control procedures relevant to an audit engagement are contained in Auditing Standard ASA 220 *Quality Control for Audits of Historical Financial Information*, and may be helpful in determining quality control procedures applicable to a review engagement.

matters, and applying analytical and other review procedures. A review may bring significant matters affecting the interim financial report to the auditor's attention, but it does not provide all of the evidence that would be required in an audit.

Agreeing the Terms of the Engagement

- 17 The auditor shall agree the terms of the engagement with the entity, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation.**
- 18 Such a communication helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, the responsibilities of those charged with governance, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. The communication ordinarily covers the following matters:
- the objective of a review of an interim financial report;
 - the scope of the review;
 - the responsibilities of those charged with governance for:
 - ◆ the interim financial report;
 - ◆ establishing and maintaining effective internal control relevant to the preparation of the interim financial report; and
 - ◆ making all financial records and related information available to the auditor;
 - agreement from those charged with governance:
 - ◆ to provide written representations to the auditor to confirm representations made orally during the review, as well as representations that are implicit in the entity's records; and
 - ◆ that where any document containing the interim financial report indicates that the interim financial report has been reviewed by the entity's auditor,

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the review report also will be included in the document; and

- the anticipated form and content of the report to be issued, including the identity of the addressee of the report.

An illustrative engagement letter is set out in Appendix 1 to this Auditing Standard. The terms of engagement to review an interim financial report can also be combined with the terms of engagement to audit the annual financial report.

Procedures for a Review of an Interim Financial Report

Understanding the Entity and its Environment, Including its Internal Control

- 19 The auditor shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim financial reports, sufficient to plan and conduct the engagement so as to be able to:**
- (a) identify the types of potential material misstatements and consider the likelihood of their occurrence; and**
 - (b) select the enquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework.**
- 20** Under ASA 315 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, the auditor who has audited the entity's financial report for one or more annual periods has obtained an understanding of the entity and its environment, including its internal control, as it relates to the preparation of the annual financial report that was sufficient to conduct the audit. In planning a review of an interim financial report, under paragraph 19 of this Auditing Standard, the auditor needs to update this understanding. Under paragraph 19 of this Auditing Standard, the auditor also needs to obtain a sufficient understanding of internal control as it relates to the preparation of the interim financial report as it may differ from internal control as it relates to the annual financial report.

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- 21 Under paragraph 19 of this Auditing Standard, the auditor needs to use the understanding of the entity and its environment, including its internal control, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied.
- 22 The procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control, ordinarily include the following:
- reading the documentation, to the extent necessary, of the preceding year's audit and reviews of prior interim period(s) of the current year and corresponding interim period(s) of the prior year, to enable the auditor to identify matters that may affect the current-period interim financial report;
 - considering any significant risks, including the risk of management override of controls, that were identified in the audit of the prior year's financial report;
 - reading the most recent annual and comparable prior period interim financial report;
 - considering materiality with reference to the applicable financial reporting framework as it relates to the interim financial report to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements;
 - considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's financial report;
 - considering significant financial accounting and reporting matters that may be of continuing significance such as material weaknesses in internal control;
 - considering the results of any audit procedures performed with respect to the current year's financial report;
 - considering the results of any internal audit performed and the subsequent actions taken by management;

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- enquiring of management about the results of management's assessment of the risk that the interim financial report may be materially misstated as a result of fraud;
 - enquiring of management about the effect of changes in the entity's business activities;
 - enquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of the interim financial report; and
 - enquiring of management of the process by which the interim financial report has been prepared and the reliability of the underlying accounting records to which the interim financial report is agreed or reconciled.
- 23 Under paragraph 19, the auditor needs to determine the nature of the review procedures, if any, to be performed for components and, where applicable, communicate these matters to other auditors involved in the review. Factors considered ordinarily include the materiality of, and risk of misstatement in, the interim financial report components, and the auditor's understanding of the extent to which internal control over the preparation of such reports is centralised or decentralised.
- 24 **In order to plan and conduct a review of an interim financial report, a recently appointed auditor, who has not yet performed an audit of the annual financial report in accordance with Auditing Standards, shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim financial reports.**
- 25 This understanding enables the auditor to focus the enquiries made, and the analytical and other review procedures applied in performing a review of the interim financial report in accordance with this Auditing Standard. As part of obtaining this understanding, ordinarily the auditor makes enquiries of the predecessor auditor and, where practicable, reviews the predecessor auditor's documentation for the preceding annual audit and for any prior interim periods in the current year that have been reviewed by the predecessor auditor. In doing so, ordinarily the auditor considers the nature of any corrected misstatements, and any uncorrected misstatements aggregated by the auditor, any significant risks,

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including the risk of management override of controls, and significant accounting and any reporting matters that may be of continuing significance, such as material weaknesses in internal control.

Materiality

- 26 The auditor shall consider materiality, using professional judgement, when:**
- (a) determining the nature, timing and extent of review procedures; and**
 - (b) evaluating the effect of misstatements.**
- 27 Under paragraph 26 of this Auditing Standard, the auditor needs to use professional judgement and consider qualitative and quantitative factors in determining materiality.
- 28 Ordinarily the auditor's consideration of materiality for a review of an interim financial report is based on the interim period financial data and accordingly materiality based on interim period financial data may be less than materiality for annual financial data. If the entity's business is subject to cyclical variations or if the financial results for the current period show an exceptional decrease or increase compared to prior interim periods and expected results for the current year, the auditor may, for example, conclude that materiality is more appropriately determined using a normalised figure for the interim period.
- 29 The auditor's consideration of materiality, in evaluating the effects of misstatements, is a matter of professional judgement and is affected by the auditor's perception of the financial information needs of users of the interim financial report.
- 30 If the applicable financial reporting framework contains a definition of materiality, it will ordinarily provide a frame of reference to the auditor when determining materiality for planning and performing the review.
- 31 Under paragraph 26 of this Auditing Standard, the auditor needs, when relevant, to consider materiality from the perspective of both the entity and the consolidated entity.

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Enquiries, Analytical and Other Review Procedures

- 32 **The auditor shall make enquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the auditor to conclude whether, on the basis of the procedures performed, anything has come to the auditor's attention that causes the auditor to believe that the interim financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework.**
- 33 A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of an interim financial report ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the interim financial report. The auditor's understanding of the entity and its environment, including its internal control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the interim financial report, affects the nature and extent of the enquiries made, and analytical and other review procedures applied.
- 34 The auditor ordinarily performs the following procedures:
- Reading the minutes of the meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the interim financial report, and enquiring about matters dealt with at meetings for which minutes are not available that may affect the interim financial report.
 - Considering the effect, if any, of matters giving rise to a modification of the audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
 - Communicating, where appropriate, with other auditors who are performing a review of the interim financial report of the entity's significant components.

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- Enquiring of members of management responsible for financial and accounting matters, and others as appropriate, about the following:
 - ◆ whether the interim financial report has been prepared and presented in accordance with the applicable financial reporting framework;
 - ◆ whether there have been any changes in accounting principles or in the methods of applying them;
 - ◆ whether any new transactions have necessitated the application of a new accounting principle;
 - ◆ whether the interim financial report contains any known uncorrected misstatements;
 - ◆ unusual or complex situations that may have affected the interim financial report, such as a business combination or disposal of a segment of the business;
 - ◆ significant assumptions that are relevant to the fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity;
 - ◆ whether related party transactions have been appropriately accounted for and disclosed in the interim financial report;
 - ◆ significant changes in commitments and contractual obligations;
 - ◆ significant changes in contingent assets and contingent liabilities including litigation or claims;
 - ◆ compliance with debt covenants;
 - ◆ matters about which questions have arisen in the course of applying the review procedures;

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- ◆ significant transactions occurring in the last several days of the interim period or the first several days of the next interim period;
 - ◆ knowledge of any fraud or suspected fraud affecting the entity involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the interim financial report; and
 - ◆ knowledge of any allegations of fraud, or suspected fraud, affecting the entity's interim financial information communicated by employees, former employees, analysts, regulators or others; and
 - ◆ knowledge of any actual or possible non-compliance with laws and regulations that could have a material effect on the interim financial report.
- Applying analytical procedures to the interim financial report designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the interim financial report. Analytical procedures may include ratio analysis and statistical techniques such as trend analysis or regression analysis and may be performed manually or with the use of computer-assisted auditing techniques. Appendix 2 to this Auditing Standard contains examples of analytical procedures the auditor may consider when performing a review of an interim financial report.
 - Reading the interim financial report and considering whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial report is not in accordance with the applicable financial reporting framework.

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- 35 The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the interim financial report. For example, it may be practicable to update the understanding of the entity and its environment, including its internal control, and begin reading applicable minutes before the end of the interim period. Performing some of the review procedures earlier in the interim period permits also early identification and consideration of significant accounting matters affecting the interim financial report.
- 36 The auditor performing the review of the interim financial report is also the auditor of the annual financial report of the entity. For convenience and efficiency, the auditor may decide to perform certain audit procedures concurrently with the review of the interim financial report. For example, information gained from reading the minutes of meetings of the board of directors in connection with the review of the interim financial report also may be used for the annual audit. The auditor may decide also to perform, at the time of the interim review, auditing procedures that would need to be performed for the purpose of the audit of the annual financial report, for example, performing auditing procedures on:
- significant or unusual transactions that occurred during the period, such as business combinations, restructurings, or significant revenue transactions, or
 - opening balances (when applicable).
- 37 A review of an interim financial report ordinarily does not require corroborating the enquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an enquiry letter to the entity's lawyer. Direct communication with the entity's lawyer with respect to litigation or claims, or alternative procedures, may, however, be appropriate if a matter comes to the auditor's attention that causes the auditor to question whether the interim financial report is in accordance with the applicable financial reporting framework.
- 38 **The auditor shall obtain evidence that the interim financial report agrees or reconciles with the underlying accounting records.**
- 39 The auditor may obtain evidence that the interim financial report agrees or reconciles with the underlying accounting records by tracing the interim financial report to:

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- (a) the accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
 - (b) other supporting data in the entity's records as necessary.
- 40 The auditor shall enquire whether management has identified all events up to the date of the review report that may require adjustment to or disclosure in the interim financial report.**
- 41 Under paragraph 40 of this Auditing Standard, the auditor need not perform procedures to identify events occurring after the date of the review report.
- 42 The auditor shall enquire whether those charged with governance have changed their assessment of the entity's ability to continue as a going concern. When, as the result of this enquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall:**
 - (a) enquire of those charged with governance as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation; and**
 - (b) consider the adequacy of the disclosure about such matters in the interim financial report.**
- 43 Events or conditions which may cast significant doubt on the entity's ability to continue as a going concern may have existed at the date of the annual financial report or may be identified as a result of enquiries of management or in the course of performing other review procedures. When such events or conditions come to the auditor's attention, under paragraph 42 of this Auditing Standard, the auditor needs to enquire of those charged with governance as to their plans for future action, such as their plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. Under paragraph 42 of this Auditing Standard, the auditor needs to enquire also as to the feasibility of the plans of those charged with governance and whether they believe that the outcome of these plans will improve the situation. Ordinarily, the auditor considers, based on procedures performed, whether it is necessary to corroborate the feasibility of the plans of those charged

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with governance and whether the outcome of these plans will improve the situation.

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

Comparatives – First Interim Report

- 46 When comparative information is included for the first time in an interim financial report, an auditor shall perform similar procedures on the comparative information as applied to the current period interim financial report.**
- 47 When comparative information is included in the first interim financial report and the auditor is unable to obtain sufficient appropriate review evidence to achieve the review objective, a limitation on the scope of the review exists. Under paragraph 84 of this Auditing Standard, the auditor needs to modify⁴ the review report. In such cases, ordinarily an auditor encourages clear disclosure, in the interim financial report, that the auditor has been unable to review the comparatives. An example of a modified review report is included in Appendix 4.
- 48 When comparative information is included in the first interim financial report and the auditor believes a material adjustment should be made to the interim financial report, under paragraph 72 this Auditing Standard, the auditor needs to modify the review report.

⁴ Ordinarily a restriction on the scope of the auditor's work will result in a qualified ("except for") conclusion.

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- 49 When an entity has come into existence only within the first interim period, comparative information will not be provided in the first interim financial report and no modified review report is required.
- 50 Accounting Standard AASB 101 *Presentation of Financial Statements*, provides requirements and explanatory guidance relating to comparative information included in a financial report prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, provides requirements and guidance relating to comparative information when an entity adopts Australian Equivalents to International Financial Reporting Standard (AIFRS) for the first time.

Evaluation of Misstatements

- 51 **The auditor shall evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the auditor's attention are material to the interim financial report.**
- 52 A review of an interim financial report, in contrast to an audit engagement, is not designed to obtain reasonable assurance that the interim financial report is free from material misstatement. However, under paragraph 51 of this Auditing Standard, misstatements which come to the auditor's attention, including inadequate disclosures, need to be evaluated individually and in the aggregate to determine whether a material adjustment is required to be made to the interim financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.
- 53 Under paragraph 51 of this Auditing Standard, the auditor needs to exercise professional judgement in evaluating the materiality of any misstatements that the entity has not corrected. Ordinarily, the auditor considers matters such as the nature, cause and amount of the misstatements, whether the misstatements originated in the preceding year or interim period of the current year, and the potential effect of the misstatements on future interim or annual periods.
- 54 The auditor may designate an amount below which misstatements need not be aggregated, because the auditor expects that the aggregation of such amounts clearly would not have a material effect on the interim financial report. In so doing, under paragraph 26 of this Auditing Standard, the auditor needs to consider the fact

that the determination of materiality involves quantitative as well as qualitative considerations and that misstatements of a relatively small amount could nevertheless have a material effect on the interim financial report.

Management Representations

- 55 The auditor shall endeavour to obtain written representation from management that:**
- (a) they acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and error;**
 - (b) the interim financial report is prepared and presented in accordance with the applicable financial reporting framework;**
 - (c) they believe the effect of those uncorrected misstatements aggregated by the auditor during the review are immaterial, both individually and in the aggregate, to the interim financial report taken as a whole. A summary of such items is included in or attached to the written representations;**
 - (d) they have disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to them that may have affected the entity;**
 - (e) they have disclosed to the auditor the results of their assessment of the risk that the interim financial report may be materially misstated as a result of fraud;**
 - (f) they have disclosed to the auditor all known actual or possible non-compliance with laws and regulations the effects of which are to be considered when preparing the interim financial report; and**
 - (g) they have disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the interim financial report.**

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- 56 Under paragraph 55 of this Auditing Standard, the auditor needs to endeavour to obtain additional representations as are appropriate to matters specific to the entity's business or industry. An illustrative management representation letter is set out in Appendix 1 to this Auditing Standard.
- 57 **If those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation on the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion.**

Auditor's Responsibility for Accompanying Information

- 58 **The auditor shall read the other information that accompanies the interim financial report to consider whether any such information is materially inconsistent with the interim financial report.**
- 59 If the auditor identifies a material inconsistency, under paragraph 58 of this Auditing Standard, the auditor needs to consider whether the interim financial report or the other information needs to be amended. If an amendment is necessary in the interim financial report and those charged with governance refuse to make the amendment, under paragraph 65 of this Auditing Standard, the auditor needs to consider the implications for the review report. If an amendment is necessary in the other information and those charged with governance refuse to make the amendment, the auditor may, for example, consider including in the review report an additional paragraph (emphasis of matter) describing the material inconsistency or taking other actions, such as withholding the issuance of the review report or withdrawing from the engagement. For example, those charged with governance may present alternative measures of earnings that more positively portray financial performance than the interim financial report, and such alternative measures are given excessive prominence, are not clearly defined, or not clearly reconciled to the interim financial report such that they are confusing and potentially misleading.
- 60 **If a matter comes to the auditor's attention that causes the auditor to believe that the other information appears to include a material misstatement of fact, the auditor shall discuss the matter with the entity's management.**

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- 61 While reading the other information for the purpose of identifying material inconsistencies, an apparent material misstatement of fact may come to the auditor's attention (i.e. information, not related to matters appearing in the interim financial report, that is incorrectly stated or presented). When discussing the matter with the entity's management, ordinarily the auditor considers the validity of the other information and management's responses to the auditor's enquiries, whether valid differences of judgement or opinion exist and whether to request management to consult with a qualified third party to resolve the apparent misstatement of fact. If an amendment is necessary to correct a material misstatement of fact and management refuses to make the amendment, ordinarily the auditor considers taking further action as appropriate, such as notifying those charged with governance and, if necessary, obtaining legal advice.

Communication

- 62 **When, as a result of performing the review of interim financial report, a matter comes to the auditor's attention that causes the auditor to believe that it is necessary to make a material adjustment to the interim financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall communicate this matter as soon as practicable to the appropriate level of management.**
- 63 **When, in the auditor's judgement, management does not respond appropriately within a reasonable period of time, the auditor shall inform those charged with governance.**
- 64 Such communications are made as soon as practicable, either orally or in writing. The auditor's decision whether to communicate orally or in writing ordinarily is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of the communications. If the information is communicated orally, under paragraph 97 of this Auditing Standard, the auditor needs to document the communication.
- 65 **When, in the auditor's judgement, those charged with governance do not respond appropriately within a reasonable period of time, the auditor shall consider:**
- (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 financial report.
- 66 **When, as a result of performing the review of interim financial report, a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or non-compliance by the entity with laws and regulations the auditor shall communicate the matter as soon as practicable to those charged with governance and shall consider the implications for the review.**
- 67 The determination of which level of management may also be informed is affected by the likelihood of collusion or the involvement of a member of management. Under paragraph 66 of this Auditing Standard, the auditor needs to report such matters to those charged with governance.
- 68 **The auditor shall communicate relevant matters of governance interest arising from the review of the interim financial report to those charged with governance.**
- 69 As a result of performing the review of the interim financial report, the auditor may become aware of matters that in the opinion of the auditor are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. Under paragraph 68 of this Auditing Standard, the auditor needs to communicate such matters to those charged with governance.

Reporting the Nature, Extent and Results of the Review of an Interim Financial Report

- 70 **The auditor shall issue a written report that contains the following:**
- (a) **An appropriate title clearly identifying it as a review report of the independent auditor of the entity.**
 - (b) **An addressee, as required by the circumstances of the engagement.**

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- (c) Identification of the interim financial report reviewed including identification of the title of each of the statements contained in the financial report and the date and period covered by the interim financial report.
- (d) A statement that those charged with governance are responsible for the preparation and fair presentation of the interim financial report in accordance with the applicable financial reporting framework.
- (e) [Deleted by the AUASB].
- (f) A statement that the auditor is responsible for expressing a conclusion on the interim financial report based on the review.
- (g) A statement that the review of the interim financial report was conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, and that that Auditing Standard requires the auditor to comply with ethical requirements relevant to the audit of the annual financial report.
- (h) A statement that a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
- (i) A statement that a review is substantially less in scope than an audit conducted in accordance with Auditing Standards and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit and that accordingly no audit opinion is expressed.
- (j) A conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial report does not present fairly, or if applicable, is not true and fair, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial

reporting framework when Australia is not the origin of the financial reporting framework used).

- (k) The date of the auditor's review report.
- (l) The location in the country or jurisdiction where the auditor practices.
- (m) The auditor's signature.

- 71 In some cases, law or regulation governing the review of an interim financial report may prescribe wording for the auditor's conclusion that is different from the wording described in paragraph 70(j). Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this Auditing Standard for coming to the conclusion remain the same.⁵ Illustrative review reports are set out in Appendices 3 and 4 to this Auditing Standard.

Departure from the Applicable Financial Reporting Framework

- 72 The auditor shall express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe that a material adjustment should be made to the interim financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. The auditor shall include a basis for modification paragraph in the report, that describes the nature of the departure and, if practicable, state the effects on the interim financial report. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefore shall be included in the basis for modification paragraph. The conclusion paragraph shall be headed 'Qualified Conclusion' or 'Adverse Conclusion' whichever is relevant.
- 73 If matters have come to the auditor's attention that cause the auditor to believe that the interim financial report is or may be materially affected by a departure from the applicable financial reporting framework, and those charged with governance do not correct the interim financial report, under paragraph 72 of this Auditing Standard, the auditor needs to modify the review report. If the

⁵ Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

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information that the auditor believes is necessary for adequate disclosure is not included in the interim financial report, under paragraph 72 of this Auditing Standard, the auditor needs to modify the review report and, if practicable, include the necessary information in the review report. Illustrative review reports with a qualified conclusion are set out in Appendix 4 to this Auditing Standard.

74 When the effect of the departure is so material and pervasive to the interim financial report that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the interim financial report, the auditor shall express an adverse conclusion.

75 An illustrative review report with an adverse conclusion is set out in Appendix 4 to this Auditing Standard.

Limitation on Scope

76 Ordinarily a limitation on scope prevents the auditor from completing the review.

77 When the auditor is unable to complete the review, the auditor shall communicate, in writing, to the appropriate level of management and to those charged with governance the reason why the review cannot be completed, and consider whether it is appropriate to issue a review report.

Limitation on Scope Imposed by Management

78 Unless required by law or regulation, an auditor shall not accept an engagement to review an interim financial report when management has imposed a limitation on the scope of the auditor's review.

79 Under paragraph 78 of this Auditing Standard, the auditor needs to refuse to accept an engagement to review an interim financial report if the auditor's preliminary knowledge of the engagement circumstances indicates that the auditor would be unable to complete the review because there will be a limitation on the scope of the auditor's review imposed by management of the entity.

80 If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor shall request management to remove the limitation. If management refuses

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the auditor's request to remove the limitation, the auditor shall communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed.

- 81 If, after accepting the engagement, management imposes a limitation on the scope of the review, under paragraph 80 of this Auditing Standard, the auditor needs to request the removal of that limitation. If management refuses to do so, the auditor is unable to complete the review and express a conclusion. In such cases, under paragraph 80 of this Auditing Standard, the auditor needs to communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. Nevertheless, if a matter comes to the auditor's attention that causes the auditor to believe that a material adjustment to the interim financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, under paragraphs 62, 63 and 66 of this Auditing Standard, the auditor needs to communicate such matters to the appropriate level of management.
- 82 **If management refuses the auditor's request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the auditor to issue a report, the auditor shall issue a disclaimer of conclusion or qualified conclusion report containing the reason(s) why the review cannot be completed.**
- 83 Under paragraph 82 of this Auditing Standard, the auditor needs to consider the legal and regulatory responsibilities, including whether there is a legal requirement for the auditor to issue a report. If there is such a requirement, under paragraph 82 of this Auditing Standard, the auditor needs to disclaim a conclusion, and provide in the review report the reason why the review cannot be completed. However, if a matter comes to the auditor's attention that causes the auditor to believe that a material adjustment to the interim financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, under paragraph 84 of this Standard, the auditor needs to communicate such a matter in the report.

Other Limitations on Scope not Imposed by Management

- 84 **When the auditor concludes that an unqualified conclusion cannot be expressed, the auditor shall express a qualified**

conclusion when in rare circumstances there is a limitation on the scope of an auditor's work, that is confined to one or more specific matters that, while material, are not in the auditor's judgement pervasive to the interim financial report. A qualified conclusion shall be expressed as being "except for" the effects of the matter to which the qualification relates. The conclusion paragraph shall be headed "Qualified Conclusion".

- 85 A limitation on scope may occur due to circumstances other than a limitation on scope imposed by those charged with governance. In such circumstances, the auditor is ordinarily unable to complete the review and express a conclusion and is guided by paragraphs 82 and 84. There may be, however, some rare circumstances where the limitation on the scope of the auditor's work is clearly confined to one or more specific matters that, while material, are not in the auditor's judgement pervasive to the interim financial report. In such circumstances, under paragraph 84 of this Auditing Standard, the auditor needs to modify the review report by indicating that, except for the matter which is described in an explanatory paragraph to the review report, the review was conducted in accordance with this Auditing Standard, and by qualifying the conclusion. Illustrative review reports with a qualified conclusion are set out in Appendix 4 to this Auditing Standard.
- 86 The auditor may have expressed a qualified opinion on the audit of the latest annual financial report because of a limitation on the scope of that audit. Under paragraph 84 of this Auditing Standard, the auditor needs to consider whether that limitation on scope still exists and, if so, the implications for the review report.

Going Concern and Significant Uncertainties

- 87 In certain circumstances, an emphasis of matter paragraph may be added to a review report, without affecting the auditor's conclusion, to highlight a matter that is included in a note to the interim financial report that more extensively discusses the matter. The paragraph would preferably be included after the conclusion paragraph and ordinarily refers to the fact that the conclusion is not qualified in this respect.
- 88 **If adequate disclosure is made in the interim financial report, the auditor shall add an emphasis of matter paragraph to the review report to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.**

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- 89 The auditor may have modified a prior audit or review report by adding an emphasis of matter paragraph to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern. If the material uncertainty still exists and adequate disclosure is made in the interim financial report, under paragraph 88 of this Auditing Standard, the auditor needs to modify the review report on the current interim financial report by adding a paragraph to highlight the continued material uncertainty.
- 90 If, as a result of enquiries or other review procedures, a material uncertainty relating to an event or condition comes to the auditor's attention that may cast significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the interim financial report, under paragraph 88 of this Auditing Standard, the auditor needs to modify the review report by adding an emphasis of matter paragraph.
- 91 **If a material uncertainty that casts significant doubt about the entity's ability to continue as a going concern is not adequately disclosed in the interim financial report, the auditor shall express a qualified or adverse conclusion, as appropriate. The report shall include specific reference to the fact that there is such a material uncertainty.**
- 92 **The auditor shall modify the review report by adding a paragraph to highlight a significant uncertainty (other than a going concern problem) that is adequately disclosed in the interim financial report, that came to the auditor's attention, the resolution of which is dependent upon future events and which may materially affect the interim financial report.**
- 93 **If a significant uncertainty (other than a going concern problem) is not adequately disclosed in the interim financial report, the auditor shall express a qualified or adverse conclusion, as appropriate. The report shall include specific reference to the fact that there is such a significant uncertainty.**

Other Considerations

- 94 The terms of the engagement include agreement by those charged with governance that where any document containing an interim financial report indicates that the report has been reviewed by the entity's auditor, the review report will be also included in the document. If those charged with governance have not included the

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review report in the document, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances.

- 95 If the auditor has issued a modified review report and those charged with governance issue the interim financial report without including the modified review report in the document containing the interim financial report, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances, and the possibility of resigning from the appointment to audit the annual financial report.
- 96 An interim financial report consisting of a summarised financial report does not include all of the information that would be included in a general purpose financial report, but may rather present an explanation of the events and changes that are significant to an understanding of the changes in the financial position and performance of the entity since the annual reporting date. This is because it is presumed that the users of the interim financial report will have access to the latest audited financial report, such as is the case with listed entities. In other circumstances, ordinarily the auditor discusses with management the need for the interim financial report to include a statement that it is to be read in conjunction with the latest audited financial report. In the absence of such a statement, ordinarily the auditor considers whether, without a reference to the latest audited financial report, the interim financial report is misleading in the circumstances and the implications for the review report.

Documentation

- 97 **The auditor shall prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion and to provide evidence that the review was performed in accordance with this Auditing Standard and applicable legal and regulatory requirements.**
- 98 Under paragraph 97 of this Auditing Standard, the auditor needs to prepare documentation that enables an experienced auditor having no previous connection with the engagement to understand the nature, timing and extent of the enquiries made and analytical and other review procedures applied, information obtained, and any significant matters considered during the performance of the review, including the disposition of such matters.

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Conformity with International Standards on Review Engagements

- 99 *ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity* is directed towards a review of interim financial information by an entity's auditor. For purposes of ISRE 2410, financial information comprises either a complete or condensed set of financial statements for a period that is shorter than the entity's financial year. ISRE 2410 is directed towards the review of interim financial information. Further to amendments effected by the International Auditing and Assurance Standards Board in December 2007, it is to be applied, adapted as necessary in the circumstances, when an auditor undertakes an engagement to review historical financial information other than interim financial information of an audit client.

Following consultation with constituents in Australia in accordance with normal exposure draft processes, the AUASB has decided that:

- due to the nature of reviews of other historical financial information, a separate Standard is more appropriate than ASRE 2410 being adapted by the auditor for this purpose; and
- *ASRE 2405 Review of Historical Financial Information Other than a Financial Report*, as developed by the AUASB, will more comprehensively deal with reviews of other historical financial information.

Accordingly, ASRE 2410 is intended to conform, with the exceptions listed below, to ISRE 2410 to the extent that ISRE 2410 deals with the review of financial statements by the auditor of the entity.

Except as noted below, this ASRE conforms, to the extent described above, with International Standard on Review Engagements *ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. The main differences between this ASRE and ISRE 2410 are:

1. This Auditing Standard contains the following mandatory requirements that are not contained in ISRE 2410:

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- This Auditing Standard applies to:
 - (a) A review, by the independent auditor of the entity, of a financial report for a half-year in accordance with Part 2M.3 of the Corporations Act 2001; and
 - (b) A review, by the independent auditor of the entity, of an interim or other financial report, comprising historical financial information, for any other purpose (paragraph 1).
- Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with a relevant mandatory requirement, the auditor shall:
 - ◆ if possible, perform appropriate alternative procedures; and
 - ◆ document in the working papers:
 - the circumstances surrounding the inability to comply;
 - the reasons for the inability to comply; and
 - justification of how alternative procedures achieve the objectives of the mandatory requirement.

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the auditor's review report (paragraph 7).
- The terms of the engagement are to be recorded in writing and forwarded to the entity. When the engagement is undertaken pursuant to legislation the minimum applicable terms are those contained in the legislation (paragraph 17).

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- The auditor shall consider materiality when:
 - ♦ determining the nature, timing and extent of review procedures; and
 - ♦ evaluating the effect of misstatements (paragraph 26).
- When comparative information is included for the first time in an interim financial report, an auditor shall perform the same procedures on the comparative information as applied to the current period interim financial report (paragraph 46).
- If those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation of the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion (paragraph 57).
- Where a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or non-compliance by the entity with laws and regulations, the auditor shall consider the implications for the review (paragraph 66).
- When the auditor believes a material adjustment should be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall include a basis for modification paragraph in the report, that describes the nature of the departure and, if practicable, state the effects on the interim financial report. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefore shall be included in the basis for modification paragraph. The conclusion paragraph shall be headed 'Qualified Conclusion' or 'Adverse Conclusion' whichever is relevant (paragraph 72).
- When the effect of the departure is so material and pervasive to the interim financial report that the

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auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the interim financial report, the auditor shall express an adverse conclusion (paragraph 74).

- Unless required by law or regulation, an auditor shall not accept an engagement to review interim financial report when management has imposed a limitation on the scope of the auditor's review (paragraph 78).
- If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor shall request management to remove the limitation. If management refuses the auditor's request to remove the limitation, the auditor shall communicate, in writing, to the appropriate level of management and those charged with governance, the reasons why the review cannot be completed (paragraph 80).
- If management refuses the auditor's request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the auditor to issue a report, the auditor shall issue a disclaimer of conclusion or qualified conclusion report containing the reason(s) why the review cannot be completed (paragraph 82).
- When the auditor concludes that an unqualified conclusion cannot be expressed, the auditor shall express a qualified conclusion when in rare circumstances there is a limitation on the scope of an auditor's work, that is confined to one or more specific matters that, while material, are not in the auditor's judgement pervasive to the interim financial report. A qualified conclusion shall be expressed as being "except for" the effects of the matter to which the qualification relates. The conclusion paragraph shall be headed "Qualified Conclusion" (paragraph 84).

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- If a significant uncertainty (other than a going concern problem) is not adequately disclosed in the interim financial report, the auditor shall express a qualified or adverse conclusion, as appropriate. The report shall include specific reference to the fact that there is such a significant uncertainty (paragraph 93).
2. In order to maintain consistency with the reporting requirements of Auditing Standard ASA 800 *The Auditor's Report on Special Purpose Audit Engagements*, the following requirements in ISRE 2410, paragraph 43(e) and paragraph 43(j), are not contained in this Auditing Standard:
- Paragraph 43(e)
- 'In other circumstances, a statement that management is responsible for the preparation and presentation of the interim financial information in accordance with the applicable financial reporting framework'.
- Paragraph 43(j)
- 'In other circumstances, a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards).'
3. This Auditing Standard includes explanatory guidance not contained within ISRE 2410 on:
- Materiality (paragraphs 27 to 31); and
 - Comparatives (paragraphs 47 to 50).
4. This Auditing Standard provides illustrative examples that differ in form and content from those contained in ISRE 2410, namely:

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- An engagement letter.
 - A management representation letter.
 - The auditor's unmodified review reports.
 - The auditor's modified review reports.
5. This Auditing Standard provides illustrative detailed procedures that may be performed in an engagement to review an interim financial report that are not contained in ISRE 2410.
6. ISRE 2410 includes a Public Sector Perspective section. This Auditing Standard does not include a separate section on the public sector as it is sector neutral.

Compliance with this Auditing Standard enables compliance with ISRE 2410 to the extent described above.

APPENDIX 1

EXAMPLE OF AN ENGAGEMENT LETTER FOR A REVIEW OF AN INTERIM FINANCIAL REPORT

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the *Corporations Act 2001*.

To [those charged with governance:⁶]

Scope

You have requested that we review the half-year financial report⁷ of [name of entity], which comprises the balance sheet as at 31 December 20XX, and the related statements of income, changes in equity and cash flows for the six-month⁸ period ended on that date, and a summary of significant accounting policies and other explanatory notes. We are pleased to confirm our acceptance and our understanding of the terms and objectives of our engagement by means of this letter.

Our review will be conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, issued by the Auditing and Assurance Standards Board, with the objective of providing us with a basis for reporting whether we have become aware of any matter [anything has come to our attention⁹] that makes [causes⁹] us [to⁹] believe that the half-year financial report is not prepared, in all material respects, in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* [indicate applicable financial reporting framework]. Such a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of an interim financial report is substantially less than the scope of an audit conducted in accordance with Auditing Standards whose objective is the expression of an opinion regarding the financial report and accordingly, we

⁶ Insert the appropriate term, such as “Directors” or “Board of Management”.

⁷ If the term “half-year financial report” is not appropriate, then this term should be changed to reflect the report being reviewed.

⁸ If the period being reviewed is other than six months, then this should be amended as appropriate.

⁹ Use in a review of an interim financial report prepared other than in accordance with the *Corporations Act 2001*.

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Appendix 1 (continued)

shall express no such opinion. ASRE 2410 requires us to also comply with the ethical requirements relevant to the audit of the annual financial report of the entity.

We expect to report on the half-year financial report¹⁰ as follows:

[Include text of sample review report - see Appendix 3 or 4 as appropriate.]

Responsibility for the half-year financial report, including adequate disclosure, is that of [those charged with governance.¹¹] This includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. As part of our review, we shall request written representations from management concerning assertions made in connection with the review. We shall also request that where any document containing the half-year financial report indicates that the half-year financial report has been reviewed, our report will also be included in the document.

A review of the half-year financial report does not provide assurance that we shall become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we shall inform you of any material matters that come to our attention.

Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Corporations Act 2001* in relation to the review of the half-year financial report. In conducting our review of the half-year financial report, should we become aware that we have contravened the independence requirements of the *Corporations Act 2001*, we shall notify you on a timely basis. As part of our review process, we shall also provide you with a written independence declaration as required by the *Corporations Act 2001*.

The *Corporations Act 2001* includes specific restrictions on the employment relationships that can exist between the reviewed entity and its auditors. To assist us in meeting the independence requirements of the *Corporations Act*

¹⁰ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the report being reviewed.

¹¹ Insert the appropriate term, such as "Directors or Board of Management".

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2001, and to the extent permitted by law and regulation, we request you discuss with us:

- The provision of services offered to you by [insert firm name] prior to engaging or accepting the service; and
- The prospective employment opportunities of any current or former partner or professional employee of [insert firm name] prior to the commencement of formal employment discussions with the current or former partner or professional employee.

Presentation of the reviewed half-year financial report on the Internet

It is our understanding that [the entity] intends to publish a hard copy of the reviewed half-year financial report and the auditor's review report for members, and to electronically present the reviewed half-year financial report and the auditor's review report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by [the entity] to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of reviewed financial information on the entity's web site is beyond the scope of the review of the half-year financial report. Responsibility for the electronic presentation of the half-year financial report on the entity's web site is that of the [governing body of the entity].

Fees

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our review.

[This letter will be effective for future years unless it is terminated, amended or superseded.¹²]

¹² Use if applicable.

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Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the half-year financial report.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [entity] by

(signed)

.....

Name and Title

Date

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**EXAMPLE OF A MANAGEMENT REPRESENTATION
LETTER**

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the *Corporations Act 2001*.

Representations by management will vary from one entity to another and from one period to the next. Representation letters are ordinarily useful where evidence, other than that obtained by enquiry, may not be reasonably expected to be available or when management have made oral representations which the auditor wishes to confirm in writing.

[Entity Letterhead]

[Addressee – Auditor]

[Date]

This representation letter is provided in connection with your review of the half-year¹³ financial report¹⁴ of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether you became aware of any matter in the course of the review that makes you believe that the half-year financial report is not in accordance with the *Corporations Act 2001*.

We acknowledge our responsibility for ensuring that the half-year financial report is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the [company/entity]'s financial position as at [date] and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

¹³ If the period being reviewed is other than six months, then this should be amended as appropriate.

¹⁴ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the type of report being reviewed.

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We confirm that the half-year financial report is prepared and presented in accordance with the *Corporations Act 2001* and is free of material misstatements, including omissions.

OR

[This representation letter is provided in connection with your review of the interim financial report¹⁵ of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether anything has come to your attention that causes you to believe that the interim financial report is not, in all material respects, presented fairly in accordance with [applicable financial reporting framework¹⁶].

We acknowledge our responsibility for ensuring that the interim financial report is in accordance with [applicable financial reporting framework].

We confirm that the interim financial report is prepared and presented fairly in accordance with [applicable financial reporting framework] and is free of material misstatements, including omissions].

We confirm, to the best of our knowledge and belief, the following representations made to you during your review.

[Include representations required by this Auditing Standard (paragraph 55) and those relevant to the entity. Such representations may include the following examples.]

1. We have made available to you:
 - (a) all financial records and related data, other information, explanations and assistance necessary for the conduct of the review; and
 - (b) minutes of all meetings of [shareholders, directors, committees of directors, Boards of Management].
2. We have disclosed to you the results of our assessment of the risk that the [interim financial report] may be materially misstated as a result of fraud.

¹⁵ If the term “interim financial report” is not appropriate, then this term should be changed to reflect the type of report being reviewed.

¹⁶ Specify the applicable financial reporting framework/requirements.

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Appendix 1 (continued)

3. There:
- (a) has been no fraud or suspected fraud, error or non-compliance with laws and regulations involving management or employees who have a significant role in the internal control structure;
 - (b) has been no fraud or suspected fraud, error or non-compliance with laws and regulations that could have a material effect on the financial report; and
 - (c) have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.
4. We are responsible for, and have established and maintained, an adequate internal control structure to prevent and detect fraud and error and to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been recorded properly in the accounting records underlying the financial report.
5. We have no plans or intentions that may affect materially the carrying values, or classification, of assets and liabilities.
6. We have considered the requirements of Accounting Standard AASB 136 *Impairment of Assets*, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
7. We believe the effects of uncorrected misstatements summarised in the accompanying schedule are immaterial, both individually and in the aggregate, to the interim [half-year] financial report taken as a whole.
8. The following have been recorded and/or disclosed properly in the interim [half-year] financial report:
- (a) related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
 - (b) share options, warrants, conversions or other requirements;

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- (c) arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
 - (d) agreements to repurchase assets previously sold;
 - (e) material liabilities or contingent liabilities or assets including those arising under derivative financial instruments;
 - (f) unasserted claims or assessments that our lawyer(s) has advised us are probable of assertion; and
 - (g) losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
9. There are no violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the interim financial report or as a basis for recording an expense.
10. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.
11. The entity has complied with all aspects of contractual agreements that would have a material effect on the interim financial report in the event of non-compliance.
12. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the interim financial report.
13. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

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14. No events have occurred subsequent to the balance sheet date through to the date of this letter that would require adjustment to, or disclosure in, the [interim financial report].

We understand that your examination was made in accordance with Auditing Standard on Review Engagements ASRE 2410 and was, therefore, designed primarily for the purpose of expressing a conclusion on the interim financial report of [the entity], and that your procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

[Name of signing officer and title]

Notes:

[The above example representation letter may need to be amended in certain circumstances. The following illustrate some of those situations.]

(a) Exceptions

Where matters are disclosed in the financial report, the associated representation needs to be amended, for example:

- If a subsequent event has been disclosed, Item 14 (above) could be modified to read:

“Except as discussed in Note X to the financial report, no events have occurred”

- If the entity has plans that impact the carrying values of assets and liabilities, Item 13 (above) could be modified to read:

“The entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for our plan to dispose of segment X, as disclosed in note Y in the in the financial report, which is discussed in the minutes of the meeting of the governing body¹⁷ held on [date]”.

¹⁷ Insert the appropriate term, such as “Directors or Board of Management”.

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(b) Other Required Information

Certain entities may be required to include other information in the financial report, for example, performance indicators for government entities. In addition to identifying this information and the applicable financial reporting framework in paragraphs 1 and 2 of the example management representation letter, an additional paragraph similar to the following may be appropriate:

“The disclosures of key performance indicators have been prepared and presented in conformity with [relevant statutory requirements] and we consider the indicators reported to be relevant to the stated objectives of the [entity]”.

(c) Management’s Opinions and Representation in the Notes to the Financial Statements

Where the notes to the financial statements include opinions and representations by management, such matters may be addressed in the representation letter. For example, notes relating to the anticipated outcome of litigation, the intent and ability to hold long-term securities to maturity and plans necessary to support the going concern basis.

(d) Environmental Matters

In situations where there are environmental matters that may, but probably will not, require an outflow of resources, this may be reflected in an addition to Item 9 (above), for example:

“However, the [entity] has received a notice from the Environmental Protection Agency that it may be required to share in the cost of cleanup of the [name] waste disposal site. This matter has been disclosed in Note A in the financial report and we believe that the disclosure and estimated contingent loss is reasonable based on available information.”

(e) Compliance

If, as part of the review, the auditor is required also to report on the entity’s compliance with laws and regulations, a representation may be appropriate acknowledging that management is responsible for

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the entity's compliance with applicable laws and regulations and that the requirements have been met. For example, for reviews under the *Corporations Act 2001*, the following paragraph may be added:

“The financial records of the [company, registered scheme or disclosing entity] have been kept so as to be sufficient to enable a financial report to be prepared and reviewed, and other records and registers required by the *Corporations Act 2001* have been kept properly and are up-to-date.”

(f) Other Matters

Additional representations that may be appropriate in specific situations may include the following:

- Justification for a change in accounting policy.
- The work of a specialist has been used.
- Arrangements for controlling the dissemination of the financial report and auditor's review report on the Internet.

APPENDIX 2

ANALYTICAL PROCEDURES THE AUDITOR MAY CONSIDER WHEN PERFORMING A REVIEW OF AN INTERIM FINANCIAL REPORT

The analytical procedures carried out in a review of an interim financial report are determined by the auditor's judgement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

Examples of analytical procedures the auditor may consider when performing a review of an interim financial report include the following:

- Comparing the interim financial report with the interim financial report of the immediately preceding interim period, with the interim financial report of the corresponding interim period of the preceding financial year, with the interim financial report that was expected by management for the current period, and with the most recent audited annual financial report.
- Comparing the current interim financial report with anticipated results, such as budgets or forecasts. For example, comparing tax balances and the relationship between the provision for income taxes to pre-tax income in the current interim financial report with corresponding information in:
 - ◆ budgets, using expected rates; and
 - ◆ financial information for prior periods.
- Comparing the current interim financial report with relevant non-financial information.
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations developed by the auditor. The auditor develops such expectations by identifying and applying relationships that reasonably are expected to exist based on the auditor's understanding of the entity and of the industry in which the entity operates.
- Comparing ratios and indicators for the current interim period with those of entities in the same industry.

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- Comparing relationships among elements in the current interim financial report with corresponding relationships in the interim financial report of prior periods, for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables.
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
 - ◆ by period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts;
 - ◆ by product line or source of revenue;
 - ◆ by location, for example by component;
 - ◆ by attributes of the transaction, for example, revenue generated by designers, architects, or craftsmen; and
 - ◆ by several attributes of the transaction, for example, sales by product and month.

Appendix 2 (continued)

**ILLUSTRATIVE DETAILED PROCEDURES THAT MAY
BE PERFORMED IN AN ENGAGEMENT TO REVIEW
AN INTERIM FINANCIAL REPORT**

1. The enquiry and analytical procedures carried out in a review of an interim financial report are determined by the auditor's judgement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

General

2. Discuss terms and scope of the engagement with the engagement team.
3. Enquire whether all financial information is recorded:
 - (a) completely;
 - (b) promptly; and
 - (c) after the necessary authorisation.
4. Enquire about the accounting policies and consider whether:
 - (a) they comply with the applicable financial reporting framework;
 - (b) they have been applied appropriately; and
 - (c) they have been applied consistently and, if not, consider whether disclosure has been made of any changes in the accounting policies.
5. Enquire about the policies and procedures to assess asset impairment and any consequential estimation of recoverable amount.
6. Enquire about the policies and procedures to determine the fair value of financial assets and financial liabilities.

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7. Enquire if actions taken at meetings of shareholders or those charged with governance affect the interim financial report have been appropriately reflected therein.
8. Enquire about plans to dispose of major assets or business segments.
9. Obtain the interim financial report and discuss it with management and those charged with governance.
10. Consider the adequacy of disclosure in the interim financial report and its suitability as to classification and presentation.
11. Compare the outcomes shown in the current period interim financial report with those shown in financial reports for comparable prior periods and, if available, with budgets and forecasts.
12. Obtain explanations from management for any unusual fluctuations or inconsistencies in the interim financial report.

Cash

13. Obtain the bank reconciliations. Enquire about any old or unusual reconciling items with client personnel.
14. Enquire about transfers between cash accounts for the period before and after the review date.
15. Enquire whether there are any restrictions on cash accounts.

Receivables

16. Enquire about the accounting policies for initially recording trade receivables and determine whether any allowances are given on such transactions.
17. Obtain a schedule of receivables and determine whether the total agrees with the trial balance.
18. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
19. Obtain an aged analysis of the trade receivables. Enquire about the reason for unusually large accounts, credit balances on accounts or

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- any other unusual balances and enquire about the collectibility of receivables.
20. Discuss with management the classification of receivables, including non-current balances, net credit balances and amounts due from shareholders, those charged with governance and other related parties in the interim financial report.
21. Enquire about the method for identifying “slow payment” accounts and setting allowances for doubtful accounts and consider it for reasonableness.
22. Enquire whether receivables have been pledged, factored or discounted.
23. Enquire about procedures applied to ensure that a proper cut-off of sales transactions and sales returns has been achieved.
24. Enquire whether accounts represent goods shipped on consignment and, if so, whether adjustments have been made to reverse these transactions and include the goods in inventory.
25. Enquire whether any large credits relating to recorded income have been issued after the balance sheet reporting date and whether provision has been made for such amounts.

Inventories

26. Obtain the inventory list and determine whether:
- (a) the total agrees with the balance in the trial balance; and
 - (b) the list is based on a physical count of inventory.
27. Enquire about the method for counting inventory.
28. Where a physical count was not carried out on the balance sheet date, enquire whether:
- (a) a perpetual inventory system is used and whether periodic comparisons are made with actual quantities on hand; and
 - (b) an integrated cost system is used and whether it has produced reliable information in the past.

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29. Discuss adjustments made resulting from the last physical inventory count.
30. Enquire about procedures applied to control cut-off and any inventory movements.
31. Enquire about the basis used in valuing each inventory classification and, in particular, regarding the elimination of inter-branch profits. Enquire whether inventory is valued at the lower of cost and net realisable value (or lower of cost and replacement cost for not-for-profit organisations).
32. Consider the consistency with which inventory valuation methods have been applied, including factors such as material, labour and overhead.
33. Compare amounts of major inventory categories with those of prior periods and with those anticipated for the current period. Enquire about major fluctuations and differences.
34. Compare inventory turnover with that in previous periods.
35. Enquire about the method used for identifying slow moving and obsolete inventory and whether such inventory has been accounted for at net realisable value.
36. Enquire whether any inventory has been consigned to the entity and, if so, whether adjustments have been made to exclude such goods from inventory.
37. Enquire whether any inventory is pledged, stored at other locations or on consignment to others and consider whether such transactions have been accounted for appropriately.

Investments (Including Associated Entities and Financial Instruments)

38. Obtain a schedule of the investments at the balance sheet reporting date and determine whether it agrees with the trial balance.
39. Enquire about the accounting policy applied to investments.
40. Enquire from management about the carrying values of investments. Consider whether there are any realisation problems.

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- 41. Consider whether there has been proper accounting for gains and losses and investment income.
- 42. Enquire about the classification of long-term and short-term investments.

Property Plant and Equipment and Depreciation

- 43. Obtain a schedule of the property, plant and equipment indicating the cost and accumulated depreciation and determine whether it agrees with the trial balance.
- 44. Enquire about the accounting policy applied regarding residual values, provisions to allocate the cost of property plant and equipment over their estimated useful lives using the expected pattern of consumption of the future economic benefits and distinguishing between capital and maintenance items. Consider whether the property, plant and equipment have suffered a material, permanent impairment in value.
- 45. Discuss with management the additions and deletions to property, plant and equipment accounts and accounting for gains and losses on disposals or de-recognition. Enquire whether all such transactions have been accounted for.
- 46. Enquire about the consistency with which the depreciation method and rates have been applied and compare depreciation provisions with prior years.
- 47. Enquire whether there are any restrictions on the property, plant and equipment.
- 48. Discuss whether lease agreements have been properly reflected in the interim financial report in conformity with current accounting pronouncements.

Prepaid Expenses, Intangibles and Other Assets

- 49. Obtain schedules identifying the nature of these accounts and discuss with management the recoverability thereof.
- 50. Enquire about the basis for recording these accounts and the amortisation methods used.

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- 51. Compare balances of related expense accounts with those of prior periods and discuss significant variations with management.
- 52. Discuss the classification between current and non-current accounts with management.

Loans Payable

- 53. Obtain from management a schedule of loans payable and determine whether the total agrees with the trial balance.
- 54. Enquire whether there are any loans where management has not complied with the provisions of the loan agreement and, if so, enquire as to management's actions and whether appropriate adjustments have been made in the interim financial report.
- 55. Consider the reasonableness of interest expense in relation to loan balances.
- 56. Enquire whether loans payable are secured.
- 57. Enquire whether loans payable have been classified between non-current and current appropriately.

Trade Payables

- 58. Enquire about the accounting policies for initially recording trade payables and whether the entity is entitled to any allowances given on such transactions.
- 59. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
- 60. Obtain a schedule of trade payables and determine whether the total agrees with the trial balance.
- 61. Enquire whether balances are reconciled with the creditors' statements and compare with prior period balances. Compare turnover with prior periods.
- 62. Consider whether there could be material unrecorded liabilities.
- 63. Enquire whether payables to shareholders, those charged with governance and other related parties are separately disclosed.

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Other Liabilities and Contingent Liabilities

- 64. Obtain a schedule of the other liabilities and determine whether the total agrees with the trial balance.
- 65. Compare major balances of related expense accounts with similar accounts for prior periods.
- 66. Enquire about approvals for such other liabilities, terms of payment, compliance with terms, collateral and classification.
- 67. Enquire about the method for determining other liabilities.
- 68. Enquire as to the nature of amounts included in contingent liabilities and commitments.
- 69. Enquire whether any actual or contingent liabilities exist which have not been recognised in the accounts. If so, discuss with management and/or those charged with governance whether provisions need to be made in the accounts or whether disclosure should be made in the notes to the interim financial report.

Income and Other Taxes

- 70. Enquire from management if there were any events, including disputes with taxation authorities, which could have a significant effect on the taxes payable by the entity.
- 71. Consider the tax expense in relation to the entity's income for the period.
- 72. Enquire from management as to the adequacy of the recognised deferred and current tax assets and/or liabilities including provisions in respect of prior periods.

Subsequent Events

- 73. Obtain from management the latest interim financial report and compare them with the financial reports being reviewed or with those for comparable periods from the preceding year.

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74. Enquire about events after the balance sheet reporting date that would have a material effect on the interim financial report under review and, in particular, enquire whether:
- (a) any substantial commitments or uncertainties have arisen subsequent to the balance sheet date;
 - (b) any significant changes in the share capital, long-term debt or working capital have occurred up to the date of enquiry; and
 - (c) any unusual adjustments have been made during the period between the balance sheet reporting date and the date of enquiry.
- Consider the need for adjustments or disclosure in the interim financial report.

75. Obtain and read the minutes of meetings of shareholders, those charged with governance and appropriate committees subsequent to the balance sheet date.

Litigation

76. Enquire from management whether the entity is the subject of any legal actions - threatened, pending or in process. Consider the effect thereof on the interim financial report and any provision for loss.

Equity

77. Obtain and consider a schedule of the transactions in the equity accounts, including new issues, retirements and dividends.
78. Enquire whether there are any restrictions on retained earnings or other equity accounts.

Operations

79. Compare results with those of prior periods and those expected for the current period. Discuss significant variations with management.
80. Discuss whether the recognition of major revenue and expenses have taken place in the appropriate periods.

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81. Enquire about the policies and procedures related to accrued income.
82. Consider and discuss with management the relationship between related items in the revenue account and assess the reasonableness thereof in the context of similar relationships for prior periods and other information available to the auditor.

APPENDIX 3

AN AUDITOR'S REVIEW REPORT UNDER THE *CORPORATIONS ACT 2001*

Introduction

1. This Appendix has been prepared to assist an auditor, engaged to undertake a review engagement, by providing an example of an auditor's review report on a review of a financial report for a half-year prepared in accordance with Part 2M.3 of the *Corporations Act 2001* ("The Act"). The example reflects both requirements of this Auditing Standard and the Act, but are not intended to require standard wording for the circumstances of particular modifications.
2. This Appendix contains limited extracts from the Act and the Australian Accounting Standards in order to provide a context for the example report included in this Appendix. These selected extracts are included in this Appendix only for the purpose stated and accordingly are not intended to be an exhaustive summary of an auditor's obligations and requirements which are found elsewhere in this Auditing Standard, the Act, the Australian Accounting Standards and other relevant mandates.
3. This Appendix:
 - Includes selected extracts from the Act and Australian Accounting Standards, and references to other relevant information, to provide a contextual framework; and
 - Provides an example of a review report.

Contextual Framework

Corporations Act 2001

The following selected extracts from the Act are included in this Appendix only to point to some of the important requirements of the Act that affect auditors engaged to undertake a review engagement in accordance with the Act.

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Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 3 (continued)

4. Section 302 states:
- “A disclosing entity¹⁸ must:
- (a) prepare a financial report and directors’ report for each half-year; and
 - (b) have the financial report audited or reviewed in accordance with Division 3 and obtain an auditor’s report; and
 - (c) lodge the financial report, the director’s report and the auditor’s report on the financial report with ASIC;
- unless the entity is not a disclosing entity when lodgement is due”.
5. Section 303(1) states:
- “The financial report for a half-year consists of:
- (a) the financial statements for the half-year;
 - (b) the notes to the financial statements; and
 - (c) the directors’ declaration about the statements and notes”.

6. Section 304 states:

“The financial report for a half-year must comply with the accounting standards and any further requirements in the regulations”.

7. Section 305 states:

“The financial statements and notes for a half-year must give a true and fair view of:

 - (a) the financial position and performance of the disclosing entity; or

¹⁸ The definition of a ‘disclosing entity’ is found in Part 1.2A, Division 2, section 111AC of the *Corporations Act 2001*.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 3 (continued)

- (b) if consolidated financial statements are required the financial position and performance of the consolidated entity.

This section does not affect the obligation under section 304 for financial reports to comply with accounting standards.

Note: If the financial statements prepared in compliance with the accounting standards would not give a true and fair view, additional information must be included in the notes to the financial statements under paragraph 303(3)(c)".

- 8. Section 309(4) states:
"An auditor who reviews the financial report for a half-year must report to members on whether the auditor became aware of any matter in the course of the review that makes the auditor believe the financial report does not comply with Division 2".
- 9. Section 309(5) states:
"A report under subsection (4) must:
 - (a) Describe any matter referred to in subsection (4); and
 - (b) Say why that matter makes the auditor believe that the financial report does not comply with Division 2".
- 10. Section 309(5A) states:
"The auditor's report must include any statements or disclosures required by the auditing standards".
- 11. Section 320 states:
"A disclosing entity that has to prepare or obtain a report for a half-year under Division 2 must lodge the report with ASIC within 75 days after the end of the half-year".

Other Information – ASIC and ASX

- 12. An auditor, in the role of auditor, is required by section 311 of the Act to notify ASIC if the auditor is aware of certain circumstances. ASIC Practice Note 34 *Auditors' Obligations: Reporting to ASIC*,

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
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Appendix 3 (continued)

provides guidance to help auditors comply with their obligations under section 311 of the Act.

13. ASIC and the ASX have agreed that listed entities can satisfy the requirements of the Act by lodging the half-year financial report, the directors' report, and the review report on the financial report with the ASX. Details are provided in ASIC Practice Note 61 *Relief from Dual Lodgement of Financial Reports* and Class Order 98/104 (as amended by Class Orders 99/90 and 99/837).

Australian Accounting Standards

14. Minimum Components of an Interim Financial Report - AASB 134 *Interim Financial Reporting*, paragraph 8 states:

“An interim financial report shall include, at a minimum, the following components:

- (a) a condensed balance sheet;
- (b) a condensed income statement;
- (c) a condensed statement of changes in equity showing either:
 - (i) all changes in equity; or
 - (ii) changes in equity other than those arising from transactions with equity holders acting in their capacity as equity holders;
- (d) a condensed cash flow statement; and
- (e) selected explanatory notes”.

15. Form and Content of Interim Financial Reports - AASB 134 paragraph 9 states:

“If an entity publishes a complete financial report as its interim financial report, the form and content of that report shall conform to the requirements of AASB 101 for a financial report”.

16. Form and Content of Interim Financial Reports - AASB 134 paragraph 10 states:

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 3 (continued)

“If an entity publishes a condensed financial report as its interim financial report, that condensed report shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading”.

17. Materiality - AASB 134 paragraph 23 states:

“In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data”.

**Compiled Auditing Standard on Review Engagements ASRE 2410
*Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity***

Appendix 3 (continued)

**EXAMPLE OF AN UNMODIFIED AUDITOR'S REVIEW
REPORT ON A HALF-YEAR FINANCIAL REPORT –
SINGLE DISCLOSING ENTITY**

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of [name of entity]

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of [name of entity], which comprises the condensed balance sheet as at 31 December 20XX, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a [statement or description of accounting policies¹⁹], other selected explanatory notes and the directors' declaration.²⁰

Directors' Responsibility for the Half-Year Financial Report

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the [company/registered scheme/disclosing entity]'s

¹⁹ Insert relevant statement or description of accounting policies as required by AASB 134.

²⁰ When the auditor is aware that the half-year financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited half-year financial report is presented.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 3 (continued)

financial position as at 31 December 20XX and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of company/registered scheme/disclosing entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's review report.²¹

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of [name of company/registered scheme/disclosing entity] is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the [company/registered scheme/disclosing entity]'s financial position as at 31 December 20XX and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

²¹ Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the review report was made.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 3 (continued)

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's signature²²]

[Date of the auditor's review report]

[Auditor's address]

²² The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

APPENDIX 4

EXAMPLE OF AN UNMODIFIED AUDITOR'S REVIEW REPORT ON AN INTERIM FINANCIAL REPORT

INTERIM FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies²³], other selected explanatory notes [and the declaration of those charged with governance²⁴]^{25, 26}.

*[Title of those charged with governance] Responsibility for the [period]
Financial Report*

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

²³ Insert relevant statement or description of accounting policies.

²⁴ Amend this term to reflect the appropriate title for those charged with governance.

²⁵ When the auditor is aware that the interim financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial report is presented.

²⁶ The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial report is filed.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

Auditor's Responsibility

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

[Independence]

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies²⁷].

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of²⁸”] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

²⁷ Use when appropriate.

²⁸ Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature²⁹]

[Date of the auditor's review report]

[Auditor's address]

²⁹ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Appendix 4 (continued)

**EXAMPLE OF AN AUDITOR'S REVIEW REPORT
WITH A QUALIFIED CONCLUSION FOR A
DEPARTURE FROM THE APPLICABLE FINANCIAL
REPORTING FRAMEWORK**

**INTERIM FINANCIAL REPORT PREPARED IN
ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR
PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial
Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies,³⁰] other selected explanatory notes [and the declaration of those charged with governance^{31, 32, 33}].

[Title of those charged with governance] Responsibility for the [period] Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

³⁰ Insert relevant statement or description of accounting policies.

³¹ Amend this term to reflect the appropriate title for those charged with governance.

³² When the auditor is aware that the interim financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial report is presented.

³³ The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial report is filed.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

Auditor's Responsibility

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

[Independence]

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies³⁴].

Basis for Qualified Conclusion

Based on information provided to us by management, ABC Entity has excluded from property and long-term debt certain lease obligations that we believe should be capitalised to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalised at 31 December 20XX, property would be increased by \$_____, long-term debt by \$_____, and net income and earnings per share would be increased (decreased) by \$_____ and \$_____ respectively for the [period] ended on that date.

³⁴ Use when appropriate.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

Qualified Conclusion

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of”³⁵] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s review report will vary depending on the nature of the auditor’s other reporting responsibilities].

[Auditor’s signature³⁶]

[Date of the auditor’s review report]

[Auditor’s address]

³⁵ Auditing Standard AUS 700 *The Auditor’s Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

³⁶ The auditor’s review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Appendix 4 (continued)

**EXAMPLE OF AN AUDITOR'S REVIEW REPORT
WITH A QUALIFIED CONCLUSION FOR A
LIMITATION ON SCOPE NOT IMPOSED BY
MANAGEMENT**

**INTERIM FINANCIAL REPORT PREPARED IN
ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR
PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial
Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies³⁷], other selected explanatory notes [and the declaration of those charged with governance³⁸].^{39, 40}

[Title of those charged with governance] Responsibility for the [period] Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

³⁷ Insert relevant statement or description of accounting policies.

³⁸ Amend this term to reflect the appropriate title for those charged with governance.

³⁹ When the auditor is aware that the interim financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial report is presented.

⁴⁰ The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial report is filed.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

Auditor's Responsibility

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

[Independence]

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies⁴¹].

Basis for Qualified Conclusion

As a result of a fire in a branch office on [date] that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totalling \$_____ included in the [period] financial report. The [entity] is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the [period] financial report.

⁴¹ Use when appropriate.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

Qualified Conclusion

Except for the adjustments to the [period] financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of⁴²”] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s review report will vary depending on the nature of the auditor’s other reporting responsibilities.]

[Auditor’s signature⁴³]

[Date of the auditor’s review report]

[Auditor’s address]

⁴² Auditing Standard ASA 700 *The Auditor’s Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

⁴³ The auditor’s review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Appendix 4 (continued)

**EXAMPLE OF AN AUDITOR'S REVIEW REPORT
WITH AN ADVERSE CONCLUSION FOR A
DEPARTURE FROM THE APPLICABLE FINANCIAL
REPORTING FRAMEWORK**

**INTERIM FINANCIAL REPORT PREPARED IN
ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR
PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial
Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies⁴⁴], other selected explanatory notes [and the declaration of those charged with governance⁴⁵]^{46, 47}.

[Title of those charged with governance] Responsibility for the [period] Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

⁴⁴ Insert relevant statement or description of accounting policies.

⁴⁵ Amend this term to reflect the appropriate title for those charged with governance.

⁴⁶ When the auditor is aware that the interim financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial report is presented.

⁴⁷ The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial report is filed.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

Auditor's Responsibility

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

[Independence]

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies⁴⁸].

Basis for Adverse Conclusion

Commencing this period, [title of those charged with governance] of the [entity] ceased to consolidate the financial reports of its subsidiary companies since [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had a consolidated financial report been prepared, virtually every account in the interim financial report would have been materially different.

Adverse Conclusion

Our review indicates, because the [entity's] investment in subsidiary companies is not accounted for on a consolidation basis, as described in the

⁴⁸ Use when appropriate.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

previous paragraph, this [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of⁴⁹”] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s review report will vary depending on the nature of the auditor’s other reporting responsibilities.]

[Auditor’s signature⁵⁰]

[Date of the auditor’s review report]

[Auditor’s address]

⁴⁹ Auditing Standard ASA 700 *The Auditor’s Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

⁵⁰ The auditor’s review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

**EXAMPLE OF AN AUDITOR'S REVIEW REPORT
WITH A QUALIFIED CONCLUSION ON THE BASIS
THAT COMPARATIVES HAVE NOT BEEN REVIEWED
OR AUDITED**

**INTERIM FINANCIAL REPORT PREPARED IN
ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR
PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial
Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies]⁵¹, other selected explanatory notes [and the declaration of those charged with governance]⁵².^{53, 54}

[Title of those charged with governance] Responsibility for the [period] Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error;

⁵¹ Insert relevant statement or description of accounting policies.

⁵² Amend this term to reflect the appropriate title for those charged with governance.

⁵³ When the auditor is aware that the interim financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial report is presented.

⁵⁴ The auditor may wish to specify the regulatory authority or equivalent with whom the interim financial report is filed.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

[Independence]

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies⁵⁵].

Basis for Qualified Conclusion

As this is the first year that [name of entity] is required to prepare an interim financial report and have it reviewed, the balance sheet, income statement, statement of changes in equity, cash flow statement, [statement or description of accounting policies⁵⁶] and other selected explanatory notes for the preceding corresponding [period] have not been reviewed or audited. Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information for the [period] ended [date of preceding corresponding period]. We have, however, audited the financial report for the preceding financial year ended [date of preceding financial year] and therefore our review statement is not qualified in respect of the

⁵⁵ Use when appropriate.

⁵⁶ Insert relevant statement or description of accounting policies.

Compiled Auditing Standard on Review Engagements ASRE 2410
Review of Interim and Other Financial Reports Performed by the
Independent Auditor of the Entity

Appendix 4 (continued)

comparative information for the year ended [date of preceding financial year]
included in the balance sheet.

Qualified Conclusion

Except for the effect, if any, on the comparatives for the preceding
corresponding [period] that may result from the qualification in the preceding
paragraph, based on our review, which is not an audit, nothing has come to
our attention that causes us to believe that the [period] financial report of
[name of entity] does not present fairly, in all material respects, [or “give a
true and fair view of⁵⁷”] the financial position of the [entity] as at [date], and
of its financial performance and its cash flows for the [period] period ended
on that date, in accordance with [applicable financial reporting framework].

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s review report will vary
depending on the nature of the auditor’s other reporting responsibilities.]

[Auditor’s signature⁵⁸]

[Date of the auditor’s review report]

[Auditor’s address]

⁵⁷ Auditing Standard ASA 700 *The Auditor’s Report on a General Purpose Financial Report*,
contains information on the wording of reports that may be helpful.

⁵⁸ The auditor’s review report is required to be signed in one or more of the name of the audit
firm, the name of the audit company or the personal name of the auditor as appropriate.