

**EXPOSURE DRAFT**

**ED 4/08**

(April 2008)

# **Proposed Amendments to ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity**

Issued for Comment by the **Auditing and Assurance Standards Board**



**Australian Government**

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**Auditing and Assurance Standards Board**

## **Commenting on this Exposure Draft**

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 30 May 2008. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: [www.auasb.gov.au](http://www.auasb.gov.au).

## **Obtaining a Copy of this Exposure Draft**

This Exposure Draft is available on the AUASB website: [www.auasb.gov.au](http://www.auasb.gov.au).

Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until no later than 30 May 2008 by contacting:

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## PREFACE

### Reasons for Issuing ED 4/08

The Auditing and Assurance Standards Board (AUASB) proposes to amend Auditing Standard ASRE 2410 *Proposed Amendments to ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity* pursuant to the requirements of the legislative provisions explained below.

The *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (the CLERP 9 Act) established the AUASB as an independent statutory body under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), as from 1 July 2004. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards will be legislative instruments under the *Legislative Instruments Act 2003*.

The amendments arise from changes made by the International Auditing and Assurance Standards Board (IAASB) to the scope of *ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the international standard upon which ASRE 2410 is based. Under the FRC's Strategic Direction to the AUASB, the AUASB is to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and make appropriate consequential amendments to the Australian Auditing Standards.

### Main Proposals

This Standard:

- (a) Expands the application of the Standard to include the review of a financial report other than for an *interim* period;
- (b) Provides explanatory guidance on the nature of financial reports; and
- (c) Amends the required contents of the Auditor's Report.

### Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 July 2008.

## **Main changes from existing ASRE 2410**

The main changes from the pre-existing Standard ASRE 2410 (as amended by ASA 2007-1) are described in Main Proposals above.

## **Request for Comments**

Comments are invited on this Exposure Draft by no later than 30 May 2008. The AUASB would prefer that respondents express a clear overall opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. The AUASB regards both critical and supportive comments as essential to a balanced review of the proposed Auditing Standard.

In addition, the AUASB would particularly welcome comment on the following specific questions:

1. What are the additional significant costs, if any, to assurance service providers and the business community for compliance with the main changes proposed, and, if so, do they outweigh the benefits to the users of the assurance service?
2. Are there any significant public interest matters that Respondents wish to raise?

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**PROPOSED AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes Auditing Standard ASA 2008-1 *Proposed Amendments to ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity* as set out in paragraphs 1 to 14, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 100 *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 proposed Auditing Standard are set out in **bold-type** paragraphs.

## PROPOSED AUDITING STANDARD ASA 2008-1

### *Proposed Amendments to ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*

#### Objective

- 1 The objective of this Auditing Standard is to make amendments to Auditing Standard ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*.

#### Application

- 2 In respect of ASRE 2410, 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.

#### Operative Date

- 3 This Auditing Standard, which amends the Auditing Standard specified in paragraph 1 of this Standard, is operative for auditor's reports signed and dated on or after 1 July 2008.

#### Amendments to ASRE 2410

- 4 The title of ASRE 2410 is amended to read as follows:
- Reviews of Interim and Other Financial Reports Performed  
by the Independent Auditor of the Entity
- 5 Paragraph 1(b) is amended to read as follows:
- 1(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;

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- 6 The following Explanatory Guidance is inserted as paragraph 4(b) and paragraph 4(c) respectively:
- 4(b) 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; and
- 4(c) a financial report is prepared in accordance with a financial reporting framework that is designed to achieve fair presentation.
- 7 Paragraph 5 is amended to read as follows:
- 5 The auditor who is engaged to perform a review of a financial report shall perform the review in accordance with this Auditing Standard.**
- 8 The following Explanatory Guidance is inserted as paragraph 6(a):
- 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.
- 9 Paragraph 70(d) is amended to read as follows:
- 70(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.**
- 10 Paragraph 70(e) is deleted and the following note added:
- 70(e)** [Deleted by the AUASB]
- 11 Paragraph 70(g) is amended to read as follows:
- 70(g) A statement that the review of the interim financial report was conducted in accordance with Auditing**

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**Standard on Review Engagements ASRE 2410 *Reviews 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.**

12 Paragraph 99, sub-paragraph 1, is amended to read:

99

...

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

- 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 and other financial report, comprising historical financial information, for any other purpose (paragraph 1).

13 Paragraph 99, sub-paragraph 2, is amended to read:

99

...

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, paragraphs 43(e) and 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'.

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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).'

**Conformity with International Standards on Auditing**

- 14 This is an amending standard and accordingly, there is no corresponding International Standard on Auditing. However, the amendments contained in this Standard conform with amendments made by the IAASB to ISRE 2410 in December 2007.