

Let's Review SRE 2400/2410

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Saturday, October 24, 2020

Let's Spent time on this

Matters to Discuss

Scope and Objective (2400)

Objective (2410)

Review Vs Audit

Pre Conditions

Performing the Engagement

Evaluation of Evidences for Conclusion

Communication with Those Charged with Governance

Form a Conclusion

Other Considerations

Lets Discuss the Difference

SRE 2400 (Revised)

ENGAGEMENTS TO REVIEW HISTORICAL FINANCIAL STATEMENTS



SCOPE

- The practitioner's responsibilities when engaged to perform a review of historical financial statements, *when the practitioner is not the auditor of the entity's financial statements*; and
- The form and content of the practitioner's report on the financial statements.

PRACTITIONER OBJECTIVES

The main purpose of reviewing of financial statement is to allow the practitioner to report whether, based on the procedures which don't provide that all evidence which is required in the audit, anything has caught his/her attention which causes him/her to believe that financial statements aren't prepared, in all the material respects, as per the relevant financial reporting framework and report accordingly.

SRE 2410

REVIEW OF INTERIM FINANCIAL INFORMATION PERFORMED BY THE INDEPENDENT AUDITOR OF THE ENTITY



- Objective

The main purpose of reviewing of interim financial information *is to allow the auditors to report* whether, based on the procedures which don't provide that all evidence which is required in the audit, anything has caught his/her attention which causes him/her to believe that financial statements aren't prepared, in all the material respects, as per the relevant financial reporting framework and report accordingly.

Review Vs Audit

Basis	Review	Audit
Assurance Level	Limited Assurance	Reasonable Assurance
Procedures to be performed	Inquiry / Analytical Review	Test of Control / Test of Details
Reporting	Review Conclusion	Audit Opinion
Standards to follow	SRE 2400 / 2410	Standards on Auditing
Control Opinion	Not Mandatory	Mandatory (as applicable)
KAM Reporting	Not Required	Mandatory (as applicable)
Regulatory Requirement	SEBI LODR	Statutory Requirement / Applicable Act

Pre Conditions

Ethical Requirements

- Integrity, Objectivity, Professional competence and due care, Confidentiality and Professional behaviour.

Professional Scepticism and Professional Judgment

- Questioning mind, investigation contradictory evidences, unusual circumstances, inappropriate evidences.
- Materiality, NTE of audit procedures, considering the management judgements, Forming the conclusion etc.

Engagement Quality Control

- Assurance Skills, Appropriate procedures, Appropriate Conclusion, Competency, Documentation etc.

Pre Conditions (Contd...)

Acceptance and Continuance

- Rational purpose, No compromise to ethical standards, Management integrity, No significant non compliance, no limitation on scope of work, Appropriate financials reporting framework etc.

Agreeing the Terms of Engagement

- Scope of Work, Management responsibility, Involvement of Expert, Written representation, Confidentiality, Termination, Informing timely to Practitioner, agreement to the terms of engagement.

Performing the Engagement

Materiality

The practitioner shall determine materiality for the *financial statements as a whole*, and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures.

The practitioner shall revisit the materiality in case any further information available.

Understanding of Entity and its Environment

Practitioner shall understand the entity and its environment for assessing the risk of material misstatements and draw audit procedures accordingly.

Performing the Engagement (Contd...)

Understanding of Entity and its Environment (Contd....)

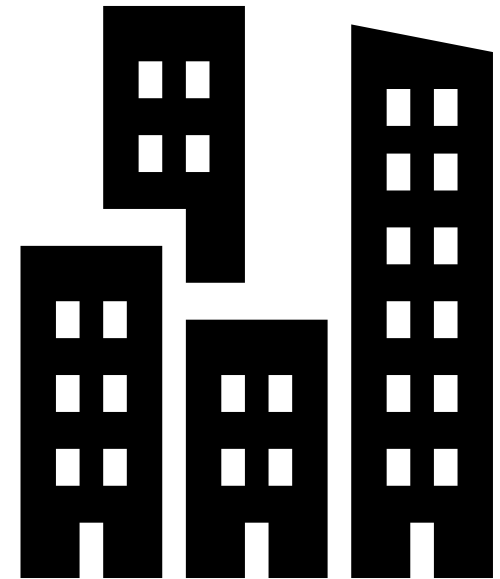
- Relevant industry, regulatory, and other external factors including the applicable financial reporting framework;
- The nature of the entity, including:
 - Its operations;
 - Its ownership and governance structure;
 - The types of investments that the entity is making and plans to make;
 - The way that the entity is structured and how it is financed; and
 - The entity's objectives and strategies;
- The entity's accounting systems and accounting records; and
- The entity's selection and application of accounting policies.

Performing the Engagement (Contd...)

Designing and Performing the procedures

To address all material items in the financial statements, including disclosures; and

To focus on addressing areas in the financial statements where material misstatements are likely to arise.



Performing the Engagement (Contd...)

Inquiry Procedures

With whom - Business Heads, Function Heads (Compliance, Secretarial and Legal), Finance Head, HR, Credit etc.

What

- Update of overall business for the period under review
- Update on modification of existing significant contract which should have an impact on FS.
- Update on new significant contract or agreement entered into.

Performing the Engagement (Contd...)

What (Contd.....)

- Update on the regulatory matters, laws and regulations.
- Update on change in controls, processes, new products, business etc.
- Understanding of the accounting estimates, change in accounting policy
- Any fraudulent matter
- Subsequent Event
- Related Parties
- Industry specific matters
- Any other matters as per practitioner risk assessment by applying risk assessment tools.

Performing the Engagement (Contd...)

Analytical Review

- Comparing the current period financial information with immediately previous corresponding period / corresponding previous year period
- Comparing actual vs budget
- Ratio analysis, trend analysis, statistical tools

Other Procedures

- Review of the minutes of the meeting
- Review of significant contracts, agreements, transactions
- Any other procedure which is in the professional judgement of the practitioner is important to obtain the sufficient appropriate audit evidences.

Evaluation of Evidences for Conclusion

- Whether evidences obtained corroborate with the enquiry procedures
- Whether any unusual or unexpected item noted
- Whether financial statement tie back with the trial balance and general ledger
- Use of work of expert (Auditors & Management)
- Going Concern assessment
- Subsequent Event assessment, if any

Communication with Those Charged With Governance

Communication with those Charged with Governance

Limitation of Scope of work

Significant Matter / finding to review

Two way communication

Modified Opinion / EOM

Significant difficulties in completing the review

Form a Conclusion

Unmodified Conclusion:

When practitioner obtains sufficient and appropriate audit evidences and no material misstatements noted

Qualified Conclusion:

Material misstatement but not pervasive

Adverse Conclusion:

Material misstatement and pervasive

Disclaimer Conclusion:

Sufficient and appropriate audit evidences are not available.

Emphasis of Matter Para:

Attention to the users of the FS. But it is unmodified opinion.

Other Considerations

➤ Documentation:

Appointment documents, Risk assessment, independent assessment, procedures performed, evaluation of evidences obtained, Conclusion formed, deliverables.

➤ Written representation:

Letter of representation shall be obtained. Date of representation should be near to the date of report.

➤ Date of Practitioner report:

When practitioner conclude that sufficient appropriate audit evidence is obtained, financials information as per financials statement is prepared along with relevant notes and relevant authority / management have taken responsibility of the financial information.

Lets discuss the difference only

Regulatory Review / Management Specific Review

Understanding the entity & its environment

Reporting Obligation

Thank You