Mr. Tom Seidenstein
Chair of IAASB

Submitted by email

Subject: Accountancy Europe accompanying letter to Exposure Draft ISRE 2410 (Revised), Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements

Dear Mr. Seidenstein,

Accountancy Europe is pleased to provide its views in response to the IAASB's exposure draft of proposed ISRE 2410 (Revised). We welcome the initiative to revise and modernise this longstanding standard to reflect developments in practice and the broader IAASB standards. We acknowledge the IAASB's efforts to strengthen requirements in key areas such as fraud, non-compliance with laws and regulations, and going concern.

However, we have identified several substantive considerations that merit careful attention.

First, we observe that the modernisation through clarified drafting conventions and restructuring of ISRE 2410 has resulted in a significantly longer and more detailed standard, increasing from approximately 10 to 24 pages and from 60 to 110 numbered paragraphs (excluding the introduction and appendices). While the modernisation and increased length of the standard should not in themselves be equated with an increase in work effort, certain proposed requirements may result in additional work in practice, particularly in relation to going concern.

We believe that these changes will result in increased work effort, longer timeframes to perform the review, and likely cost increases for companies without any change to the level of assurance provided. The timeliness of interim reporting is an important public interest consideration and should be carefully balanced against the work effort associated with the proposed requirements.

We encourage the IAASB to actively seek the views of preparers on the practical implications of the proposed changes including whether the additional work effort and associated costs could affect their willingness to obtain an interim review. An interim review is not required under EU law and if undertaken, it is often due to national requirements which differ within the EU, market practice or voluntary contractual arrangements. Any increase in cost may lead to a reduction in companies opting for an interim review, which would be contrary to the public interest.

Second, several aspects of ED-2410 rely on the auditor's existing knowledge obtained through the annual audit engagement, yet the standard does not sufficiently explain how the two engagements interrelate or how knowledge from the audit is expected to be leveraged in the interim review. We encourage the IAASB to provide clearer guidance on this relationship, including how auditors should leverage knowledge from ongoing audit engagements. This would better reflect the nature of recurring engagements, help avoid unnecessary duplication of work, and reinforce the distinction between a review engagement and an audit.

Third, we recognise that it is appropriate for ED-2410 to address the auditor's responsibilities relating to going concern. We do however not believe that the proposed requirements are, in all respects, appropriate and proportionate to the circumstances of a limited assurance interim review engagement. We strongly encourage the IAASB to ensure that the proposed requirements remain proportionate to the nature of a limited assurance engagement and do not inadvertently blur the distinction between a review and an audit. We also recommend that going concern requirements align with interim financial reporting frameworks and management's reporting obligations.

In particular, the standard and the auditor's report should make clear that the procedures performed in relation to going concern in an interim review are less extensive than those performed in an audit and should not create the impression that a higher level of assurance is being provided in relation to going concern.

We do not support the introduction of a separate going concern section in the auditor’s interim review report. We consider that such a separate section is not justified in the context of a limited assurance engagement and could blur the distinction between limited and reasonable assurance engagements and create an expectation gap regarding the level of assurance provided.

If the IAASB nevertheless decides to retain a separate section, its wording and presentation should be clearly differentiated from the corresponding reporting in an audit report and should explicitly reflect the limited assurance nature of the engagement.

In this respect, we propose in our detailed response alternative wording based on ISRE (UK) 2410 (Revised), which makes clear that review procedures are less extensive than those performed in an audit and which more appropriately reflects management's responsibility in relation to material uncertainties related to going concern.

For group interim review engagements, we encourage the IAASB to strengthen requirements relating to communication between group and component auditors by placing greater emphasis on two-way communication. We also recommend that the requirements relating to the review of the financial information and the related application material more clearly refer back to the materiality determined during planning to ensure consistency between the planning and evaluation phases.

We thank you for this opportunity to comment on this important project. Our detailed response form provides further commentary on each of the IAASB's proposals. We encourage the IAASB to carefully consider the cumulative effect of the proposed requirements to ensure that the work effort remains consistent with the objective of providing limited assurance while continuing to serve the needs of users of interim financial information.

Should you wish to discuss any aspect of this letter, please contact Endrin Bitraj at endrin@accountancyeurope.eu.

Eelco van der Enden

Chief Executive

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