



Auditing and Assurance Standards Council

**Amendments to PSREs 2400 and 2410
February 2008**

**PSRE 2400, ENGAGEMENTS TO REVIEW
FINANCIAL STATEMENTS**

**PSRE 2410, REVIEW OF INTERIM FINANCIAL
INFORMATION PERFORMED BY THE
INDEPENDENT AUDITOR OF THE
ENTITY**

**AMENDMENTS TO
PHILIPPINE STANDARDS ON REVIEW ENGAGEMENTS
CONTENTS**

	Page
Explanatory Note	3
Effect of the Amendments	4
Amendments	
Amendment to PSRE 2410, “Engagements to Review Financial Statements”	5
Amendment to PSRE 2400, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”	6

**AMENDMENTS TO INTERNATIONAL/PHILIPPINE STANDARDS ON
REVIEW ENGAGEMENTS**

(Note: The Explanatory Note prepared by the International Auditing and Assurance Board [IAASB] for the amendments is reproduced below in its entirety. The prefix for the number of the cited pronouncements is the original international prefix and not the Philippine prefix.)

Explanatory Note

At its meeting in December 2007, the International Auditing and Assurance Standards Board (IAASB) agreed to amend the following International Standards on Review Engagements (ISREs) to clarify to which engagements each respectively is to be applied:

- ISRE 2400, “Engagements to Review Financial Statements;” and
- ISRE 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.”

The issue that had been brought to the IAASB’s attention is that ISRE 2410 applies in the case of a review by the entity’s auditor of interim financial information only, while ISRE 2400 applies to all reviews of historical financial information excluding those conducted by the entity’s auditor. Thus, there would appear to be no directly relevant standard for reviews by the entity’s auditor of historical financial information other than interim financial information.

To resolve the issue, the IAASB has amended ISRE 2410 to apply also to such reviews. This reflects the principal distinction between ISRE 2400 and ISRE 2410, which is that ISRE 2410 is written on the basis that the entity’s auditor is able to use his or her audit-based knowledge of the entity when carrying out a review of any historical financial information. The most common example of a review engagement that might be undertaken by an entity’s auditor is the review of interim financial information issued by a public company for which ISRE 2410 was specifically prepared; other examples have arisen in practice, however, and the amendments make clear that these also fall within ISRE 2410. When approving ISRE 2410, the IAASB did not intend to remove reviews by an entity’s auditor of historical financial information other than interim financial information from the scope of the ISREs.

Furthermore, to align the application of ISRE 2400, ISRE 2410 and International Standard on Assurance Engagements (ISAE) 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information,” the IAASB agreed to restrict the application of ISRE 2400 to a review of any *historical financial* information. Before this amendment, ISRE 2400 indicated that it may be applied “to the extent practicable” to engagements to review other information.

Amendments to PSREs 2400 and 2410

Effect of the Amendments

The effect of the amendments may be summarized as making it clear that:

- Reviews of historical financial information by a practitioner other than the entity's auditor fall under ISRE 2400;
- Reviews of historical financial information by the entity's auditor fall under ISRE 2410; and
- Reviews of other historical information fall under ISAE 3000.

The amendments are effective immediately; that is, they apply to review engagements commenced by a practitioner on or after the date of publication of these amendments (March 28, 2008).

Amendments

The text of the amendments to PSRE 2400 and PSRE 2410 are set out below. The amendments will be inserted in the complete text of the two standards when the 2008 edition of the Handbook of International Auditing, Assurance, and Ethics Pronouncements is released.

Amendment to PSRE 2410

Introduction

1. The purpose of this Philippine Standard on Review Engagements (PSRE) is to establish standards and provide guidance on the auditor's professional responsibilities when the auditor undertakes an engagement to review interim financial information of an audit client, and on the form and content of the report. The term "auditor" is used throughout this PSRE, not because the auditor is performing an audit function but because the scope of this PSRE is limited to a review of interim financial information performed by the independent auditor of the financial statements of the entity.
2. For purposes of this PSRE, interim financial information is financial information that is prepared and presented in accordance with an applicable financial reporting framework¹ and comprises either a complete or a condensed set of financial statements for a period that is shorter than the entity's financial year.
3. **The auditor who is engaged to perform a review of interim financial information should perform the review in accordance with this PSRE.** Through performing the audit of the annual financial statements, 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 information, this understanding is updated through inquiries made in the course of the review, and assists the auditor in focusing the inquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of interim financial information, and who is not the auditor of the entity, performs the review in accordance with PSRE 2400, "Engagements to Review Financial Statements." As the practitioner does not ordinarily have the same understanding of the entity and its environment, including its internal control, as the auditor of the entity, the practitioner needs to carry out different inquiries and procedures to meet the objective of the review.

¹ For example, Philippine Financial Reporting Standards as issued by the Philippine Financial Reporting Standards Council.

Amendments to PSREs 2400 and 2410

- 3a. This PSRE is directed towards a review of interim financial information by an entity's auditor. However, it is to be applied, adapted as necessary in the circumstances, when an entity's auditor undertakes an engagement to review historical financial information other than interim financial information of an audit client.

In addition, a footnote is added to the following sentence in the examples of review reports in the appendix to PSRE 2410:

We conducted our review in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."*

The footnote reads as follows:

* In the case of a review of historical financial information other than interim financial information, this sentence should read as follows: "We conducted our review in accordance with Philippine Standard on Review Engagements 2410, which applies to a review of historical financial information performed by the independent auditor of the entity." The remainder of the report should be adapted as necessary in the circumstances.

Amendment to PSRE 2400

Introduction

2. This PSRE is directed towards the review of financial statements. However, it is to be applied, adapted as necessary in the circumstances, to the extent practicable to engagements to review other historical financial or other information. Guidance in the Philippine Standard on Auditing (PSAs) may be useful to the practitioner in applying this PSRE.

Amendments to PSREs 2400 and 2410

The amendments to PSRE 2400, “Engagements to Review Financial Statements;” and PSRE 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” were unanimously approved for adoption on February 26, 2008 by the members of the Auditing and Assurance Standards Council.

Benjamin R. Punongbayan, *Chairman*

Felicidad A. Abad

Antonio P. Acyatan

Erwin Vincent G. Alcala

Froilan G. Ampil

David L. Balangue

Ma. Gracia Casals-Diaz

Eliseo A. Fernandez

Jaime P. Naranjo

Ma. Cecilia F. Ortiz

Nestorio C. Roraldo

Joaquin P. Tolentino

Editha O. Tuason

Jaime E. Ysmael