Consulting services that CPAs provide to their clients have evolved from advice on accounting-related matters to a wide range of services involving diverse technical disciplines, industry knowledge, and consulting skills. Most practitioners, including those who provide audit and tax services, also provide business and consulting services to their clients.

Consulting services differ fundamentally from the CPA’s function of attesting to the assertions of other parties. In an attest service, the practitioner expresses a conclusion about the reliability of a written assertion that is the responsibility of another party, the asserter. In a consulting service, the practitioner develops the findings, conclusions, and recommendations presented. The nature and scope of work is determined solely by the agreement between the practitioner and the client. Generally, the work is performed only for the use and benefit of the client.

Historically, CPA consulting services have been commonly referred to as consulting services, management advisory services, business advisory services, or management services. A series of Statements on Standards for Management Advisory Services (SSMASs) previously issued by the AICPA contained guidance on certain types of consulting services provided by members. This Statement on Standards for Consulting Services (SSCS) supersedes the SSMASs and provides standards of practice for a broader range of professional services, as described in
paragraph.

This SSCS and any subsequent SSCSs apply to any AICPA member holding out as a CPA while providing Consulting Services as defined herein.

Definitions

Terms established for the purpose of the SSCSs are as follows:

**Consulting Services Practitioner** - Any AICPA member holding out as a CPA while engaged in the performance of a Consulting Service for a client, or any other individual who is carrying out a Consulting Service for a client on behalf of any Institute member or member's firm holding out as a CPA.

**Consulting Process** - The analytical approach and process applied in a Consulting Service. It typically involves some combination of activities relating to determination of client objectives, fact-finding, definition of the problems or opportunities, evaluation of alternatives, formulation of proposed action, communication of results, implementation, and follow-up.

**Consulting Services** - Professional services that employ the practitioner’s technical skills, education, observations, experience, and knowledge of the consulting process. 1

- Consultations, in which the practitioner’s function is to provide counsel in a short time frame, based mostly, if not entirely, on existing personal knowledge about the client, the circumstances, the technical matters involved, client representations, and the mutual intent of the parties.

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1 Paragraph removed for brevity.
Examples of consultations are reviewing and commenting on a client-prepared business plan and suggesting computer software for further client investigation.

- Advisory services, in which the practitioner’s function is to develop findings, conclusions, and recommendations for client consideration and decision making. Examples of advisory services are an operational review and improvement study, analysis of an accounting system, assisting with strategic planning, and defining requirements for an information system.

- Implementation services, in which the practitioner’s function is to put an action plan into effect. Client personnel and resources may be pooled with the practitioner’s to accomplish the implementation objectives. The practitioner is responsible to the client for the conduct and management of engagement activities. Examples of implementation services are providing computer system installation and support, executing steps to improve productivity, and assisting with the merger of organizations.

- Transaction services, in which the practitioner’s function is to provide services related to a specific client transaction, generally with a third party. Examples of transaction services are insolvency services, valuation services, preparation of information for obtaining financing, analysis of a potential merger or acquisition, and litigation services.

- Staff and other support services, in which the practitioner’s function is to provide appropriate staff and possibly other support to perform tasks specified by the client. The staff provided will be directed by the client as circumstances require. Examples of staff and other support services are data processing facilities management, computer programming, bankruptcy trusteeship, and controllership activities.

- Product services, in which the practitioner’s function is to provide the client with a product and associated professional services in support of the installation, use, or maintenance of the product. Examples of product services are the sale and delivery of packaged training programs, the sale and implementation of computer software, and the sale and installation of systems development methodologies.

**Standards for Consulting Services**
[3] The general standards of the profession are contained in Rule 201 [4] of the AICPA Code of Professional Conduct and apply to all services performed by members. They are as follows:

**Professional competence** - Undertake only those professional services that the member or the member’s firm can reasonably expect to be completed with professional competence.

**Due professional care** - Exercise due professional care in the performance of professional services.

**Planning and supervision** - Adequately plan and supervise the performance of professional services.

**Sufficient relevant data** - Obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to any professional services performed.

The following additional general standards for all Consulting Services are promulgated to address the distinctive nature of Consulting Services in which the understanding with the client may establish valid limitations on the practitioner’s performance of services. These Standards are established under Rule 202 of the AICPA Code of Professional Conduct.

**Client Interest** - Serve the client interest by seeking to accomplish the objectives established by the understanding with the client while maintaining integrity and objectivity.

**Understanding with Client** - Establish with the client a written or oral understanding about the responsibilities of the parties and the nature, scope,
and limitations of services to be performed, and modify the understanding if circumstances require a significant change during the engagement.

**Communication with Client** - Inform the client of (a) conflicts of interest that may occur pursuant to interpretations of Rule 102[^5] of the Code of Professional Conduct, 23(b) significant reservations concerning the scope or benefits of the engagement, and (c) significant engagement findings or events.

Professional judgment must be used in applying Statements on Standards for Consulting Services in a specific instance since the oral or written understanding with the client may establish constraints within which services are to be provided. For example, the understanding with the client may limit the practitioner’s effort with regard to gathering relevant data. The practitioner is not required to decline or withdraw from a consulting engagement when the agreed-upon scope of services includes such limitations.

**Consulting Services for Attest Clients** - The performance of Consulting Services for an attest client does not, in and of itself, impair independence. 34However, members and their firms performing attest services for a client should comply with applicable independence standards, rules and regulations issued by the AICPA, the state boards of accountancy, state CPA societies, and other regulatory agencies.

**Effective Date** - This Statement is effective for engagements accepted on or after January 1, 1992. Early application of the provisions of this Statement is permissible.

**Footnotes**

[^5]: [Rule 102](#)
1. **The definition of Consulting Services excludes the following:**
   1. Services subject to other AICPA Technical Standards such as Statements on Auditing Standards (SASs), Statements on Standards for Attestation Engagements (SSAEs), or Statements on Standards for Accounting and Review Services (SSARSs). (These excluded services may be performed in conjunction with Consulting Services, but only the Consulting Services are subject to the SSCS.)
   2. Engagements specifically to perform tax return preparation, tax planning/advice, tax representation, personal financial planning or bookkeeping services; or situations involving the preparation of written reports or the provision of oral advice on the application of accounting principles to specified transactions or events, either completed or proposed, and the reporting thereof.
   3. Recommendations and comments prepared during the same engagement as a direct result of observations made while performing the excluded services.

2. **Article III of the Code of Professional Conduct describes integrity as follows:**
   "Integrity requires a member to be, among other things, honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Integrity can accommodate the inadvertent error and the honest difference of opinion; it cannot accommodate deceit or subordination of principle."

   **Article IV of the Code of Professional Conduct differentiates between objectivity and independence as follows:**
   "Objectivity is a state of mind, a quality that lends value to a member's services. It is a distinguishing feature of the profession. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest. Independence precludes relationships that may appear to impair a member's objectivity in rendering attestation services."

3. **Rule 102-2 on Conflicts of Interest states, in part, the following:**
   "A conflict of interest may occur if a member performs a professional service for a client or employer and the member of his or her firm has a significant relationship with another person, entity, product, or service that could be
viewed as impairing the member’s objectivity. If this significant relationship is disclosed to and consent is obtained from such client, employer, or other appropriate parties, the rule shall not operate to prohibit the performance of the professional service..."

4. AICPA independence standards relate only to the performance of attestation services; objectivity standards apply to all services. (See footnote no.2)
AR Section 80

Compilation of Financial Statements

Issue date, unless otherwise indicated: December 2009

Source: SSARS No. 19

.01 This section establishes standards and provides guidance on compilations of financial statements. The accountant is required to comply with the provisions of this section whenever he or she is engaged to report on compiled financial statements or submits financial statements to a client or to third parties.

Establishing an Understanding

.02 The accountant should establish an understanding with management regarding the services to be performed for compilation engagements and should document the understanding through a written communication with management. Such an understanding reduces the risks that either the accountant or management may misinterpret the needs or expectations of the other party. For example, it reduces the risk that management may inappropriately rely on the accountant to protect the entity against certain risks or to perform certain functions that are management's responsibility. The accountant should ensure that the understanding includes the objectives of the engagement, management's responsibilities, the accountant's responsibilities, and the limitations of the engagement. In some cases, the accountant may establish such understanding with those charged with governance.

.03 An understanding with management and, if applicable, those charged with governance, regarding a compilation of financial statements should include the following matters:

- The objective of a compilation is to assist management in presenting financial information in the form of financial statements.
- The accountant utilizes information that is the representation of management (owners) without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework.
- Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
- Management is responsible for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.
- Management is responsible to prevent and detect fraud.

1 See paragraph .29 of QC section 10, A Firm's System of Quality Control. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SQCS No. 8.]
Statements on Standards for Accounting and Review Services

- Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.
- Management is responsible for making all financial records and related information available to the accountant.
- The accountant is responsible for conducting the engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) issued by the AICPA.
- A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, the accountant will not express an opinion or provide any assurance regarding the financial statements.
- The engagement cannot be relied upon to disclose errors, fraud, or illegal acts.
- The accountant will inform the appropriate level of management of any material errors and of any evidence or information that comes to the accountant's attention during the performance of compilation procedures that fraud or an illegal act may have occurred. The accountant need not report any matters regarding illegal acts that may have occurred that are clearly inconsequential and may reach agreement in advance with the entity on the nature of any such matters to be communicated.
- The effect of any independence impairments on the expected form of the accountant's compilation report, if applicable.

These matters should be communicated in the form of an engagement letter. Examples of engagement letters for a compilation of financial statements are presented in Compilation Exhibit A, "Illustrative Engagement Letters."

.04 An understanding with management or, if applicable, those charged with governance, also may include other matters, such as the following:

- Fees and billings

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2 For purposes of the SSARSs, fraud is an intentional act that results in a misstatement in compiled financial statements.
3 For purposes of the SSARSs, illegal acts are violations of laws or government regulations, excluding fraud.
4 Whether an act is, in fact, fraudulent or illegal is a determination that is normally beyond the accountant's professional competence. An accountant, in reporting on financial statements, presents himself or herself as one who is proficient in accounting and compilation services. The accountant's training, experience, and understanding of the client and its industry may provide a basis for recognition that some client acts coming to his or her attention may be fraudulent or illegal. However, the determination about whether a particular act is fraudulent or illegal would generally be based on the advice of an informed expert qualified to practice law or may have to await final determination by a court of law.
Any limitation of or other arrangements regarding the liability of the accountant or the client, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements)

• Conditions under which access to compilation documentation may be granted to others

• Additional services to be provided relating to regulatory requirements

.05 If the compiled financial statements are not expected to be used by a third party and the accountant does not expect to issue a compilation report on the financial statements, the accountant should include in the engagement letter an acknowledgment of management's representation and agreement that the financial statements are not to be used by a third party. The engagement letter also should address the following additional matters if applicable:

• Material departures from the applicable financial reporting framework may exist, and the effects of those departures, if any, on the financial statements may not be disclosed.

• Substantially all disclosures (and statement of cash flows, if applicable) required by the applicable financial reporting framework may be omitted.

• Reference to supplementary information.

Compilation Performance Requirements

Understanding of the Industry

.06 The accountant should possess an understanding of the industry in which the client operates, including the accounting principles and practices generally used in the industry sufficient to enable the accountant to compile financial statements that are appropriate in form for an entity operating in that industry.

.07 The requirement that the accountant possess a level of knowledge of the industry in which the client operates does not prevent the accountant from accepting a compilation engagement for an entity in an industry with which the accountant has no previous experience. It does, however, place upon the accountant a responsibility to obtain the required level of knowledge. The accountant may do so, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals knowledgeable about the industry.

Knowledge of the Client

.08 The accountant should obtain knowledge about the client, including

• an understanding of the client's business and

• an understanding of the accounting principles and practices used by the client.

.09 In obtaining an understanding of the client's business, the accountant should have a general understanding of the client's organization; its operating
characteristics; and the nature of its assets, liabilities, revenues, and expenses. The accountant's understanding of the entity's business is ordinarily obtained through experience with the entity or its industry and inquiry of the entity's personnel.

.10 The accountant should obtain an understanding of the accounting principles and practices used by the client in measuring, recognizing, recording, and disclosing all significant accounts and disclosures in the financial statements. The accountant's understanding also may include matters such as changes in accounting practices and principles and differences in the client's business model as compared with normal practices within the industry.

.11 In obtaining this understanding of the client's accounting policies and practices, the accountant should be alert to unusual accounting policies and procedures that come to the accountant's attention as a result of his or her knowledge of the industry.

Reading the Financial Statements

.12 Before submission, the accountant should read the financial statements and consider whether such financial statements appear to be appropriate in form and free from obvious material errors. In this context, the term error refers to mistakes in the preparation of financial statements, including arithmetical or clerical mistakes, and mistakes in the application of accounting principles, including inadequate disclosure.

Other Compilation Procedures

.13 The accountant is not required to make inquiries or perform other procedures to verify, corroborate, or review information supplied by the entity. However, the accountant may have made inquiries or performed other procedures. The results of such inquiries or procedures, knowledge gained from prior engagements, or the financial statements on their face may cause the accountant to become aware that information supplied by the entity is incorrect, incomplete, or otherwise unsatisfactory or that fraud or an illegal act may have occurred. The accountant should request that management consider the effect of these matters on the financial statements and communicate the results of such consideration to the accountant. Additionally, the accountant should consider the effect of management's conclusions regarding these matters on the accountant's compilation report. In circumstances when the accountant believes that the financial statements may be materially misstated, the accountant should obtain additional or revised information. If the entity refuses to provide additional or revised information, the accountant should withdraw from the engagement.

Documentation in a Compilation Engagement

.14 The accountant should prepare documentation in connection with each compilation engagement in sufficient detail to provide a clear understanding of the work performed. Documentation provides the principal support for the representation in the accountant's compilation report that the accountant performed the compilation in accordance with SSARSs.

The accountant is not precluded from supporting the compilation report by other means in addition to the compilation documentation. Such other means might include written documentation contained in other engagement files or
quality control files (for example, consultation files) and, in limited situations, oral explanations.

.15 The form, content, and extent of documentation depend on the circumstances of the engagement, the methodology and tools used, and the accountant's professional judgment. The accountant's documentation should include the following:

a. The engagement letter documenting the understanding with the client
b. Any findings or issues that, in the accountant's judgment, are significant (for example, the results of compilation procedures that indicate that the financial statements could be materially misstated, including actions taken to address such findings and, to the extent that the accountant had any questions or concerns as a result of his or her compilation procedures, how those issues were resolved)
c. Communications, whether oral or written, to the appropriate level of management regarding fraud or illegal acts that come to the accountant's attention

**Reporting on the Financial Statements**

.16 When the accountant is engaged to report on compiled financial statements or submits financial statements that are reasonably expected to be used by a third party, the financial statements should be accompanied by a written report. The accountant's objective in reporting on the financial statements is to prevent misinterpretation of the degree of responsibility the accountant is assuming when his or her name is associated with the financial statements.

.17 The basic elements of the report are as follows:

a. **Title.** The accountant's compilation report should have a title that clearly indicates that it is the accountant's compilation report. The accountant may indicate that he or she is independent in the title, if applicable. Appropriate titles would be "Accountant’s Compilation Report" or "Independent Accountant’s Compilation Report."

b. **Addressee.** The accountant's report should be addressed as appropriate in the circumstances of the engagement.

c. **Introductory paragraph.** The introductory paragraph in the accountant's report should

i. identify the entity whose financial statements have been compiled;

ii. state that the financial statements have been compiled;

iii. identify the financial statements that have been compiled;

iv. specify the date or period covered by the financial statements; and

v. include a statement that the accountant has not audited or reviewed the financial statements and, accordingly, does not express an opinion or provide any assurance about whether the financial statements are in accordance with the applicable financial reporting framework.

d. **Management’s responsibility for the financial statements and for internal control over financial reporting.** A statement that
management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

e. **Accountant's responsibility.** A statement that the accountant's responsibility is to conduct the compilation in accordance with SSARSs issued by the AICPA. A statement that the objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

f. **Signature of the accountant.** The manual or printed signature of the accounting firm or the accountant, as appropriate.

g. **Date of the accountant's report.** The date of the compilation report (the date of completion of the compilation should be used as the date of the accountant's report).

Procedures that the accountant might have performed as part of the compilation engagement should not be described in the report. See Compilation Exhibit B, "Illustrative Compilation Reports," for illustrative compilation reports.

.18 Each page of the financial statements compiled by the accountant should include a reference, such as "See accountant's compilation report" or "See independent accountant's compilation report."

.19 Financial statements prepared in accordance with an other comprehensive basis of accounting (OCBOA) are not considered appropriate in form unless the financial statements include

a. a description of the OCBOA, including a summary of significant accounting policies and a description of the primary differences from generally accepted accounting principles (GAAP). The effects of the differences need not be quantified.

b. informative disclosures similar to those required by GAAP if the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP.

**Reporting on Financial Statements That Omit Substantially All Disclosures**

.20 An entity may request the accountant to compile financial statements that omit substantially all the disclosures required by an applicable financial reporting framework, including disclosures that might appear in the body of the financial statements. The accountant may compile such financial statements, provided that the omission of substantially all disclosures is not, to his or her knowledge, undertaken with the intention of misleading those who might reasonably be expected to use such financial statements. When reporting

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5 See paragraphs .27–.29 for the accountant’s responsibilities when he or she is aware of other departures from an applicable financial reporting framework. However, see section 300, Compilation Reports on Financial Statements Included in Certain Prescribed Forms, for guidance when such financial statements are included in a prescribed form, and the prescribed form or related instructions do not request the disclosures required by an applicable financial reporting framework.
on financial statements that omit substantially all disclosures, the accountant should include, after the paragraph describing the accountant's responsibility, a paragraph in the compilation report that includes the following elements:

- A statement that management has elected to omit substantially all the disclosures (and the statement of cash flows, if applicable) required by the applicable financial reporting framework (or ordinarily included in the financial statements if the financial statements are prepared in accordance with an OCBOA)

- A statement that if the omitted disclosures (and statement of cash flows, if applicable) were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows (or equivalent for presentations other than accounting principles generally accepted in the United States of America)

- A statement that, accordingly, the financial statements are not designed for those who are not informed about such matters

When the entity wishes to include disclosures about only a few matters in the form of notes to such financial statements, such disclosures should be labeled "Selected Information—Substantially All Disclosures Required by [identify the applicable financial reporting framework (for example "Accepted Accounting Principles Generally Accepted in the United States of America") Are Not Included."

See Compilation Exhibit B for examples of compilation reports when substantially all disclosures required by an applicable financial reporting framework are omitted.

**Reporting When the Accountant Is Not Independent**

When the accountant is issuing a report with respect to a compilation of financial statements for an entity, with respect to which the accountant is not independent, the accountant's report should be modified. In making a judgment about whether he or she is independent, the accountant should be guided by the AICPA's Code of Professional Conduct. The accountant should indicate his or her lack of independence in a final paragraph of the accountant's compilation report. An example of such a disclosure would be

I am (We are) not independent with respect to XYZ Company.

The accountant is not precluded from disclosing a description about the reason(s) that his or her independence is impaired. The following are examples of descriptions the accountant may use:

- I am (We are) not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because I (a member of the engagement team) had a direct financial interest in XYZ Company;

- I am (We are) not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because an individual of my immediate family (an immediate family member of one of the members of the engagement team) was employed by XYZ Company; or

- I am (We are) not independent with respect to XYZ Company as of and for the year ended December 31, 20XX, because I (we) performed certain accounting services (the accountant may include a specific description of those services) that impaired my (our) independence.
If the accountant elects to disclose a description about the reasons his or her independence is impaired, the accountant should ensure that all reasons are included in the description.

See Compilation Exhibit B for illustrative examples of accountant's compilation reports when the accountant's independence has been impaired.

**Accountant’s Communications With the Client When the Compiled Financial Statements Are Not Expected to Be Used by a Third Party**

.22 When the accountant submits compiled financial statements to his or her client that are not expected to be used by a third party, he or she is not required to issue a compilation report.

.23 The accountant should include a reference on each page of the financial statements restricting their use, such as "Restricted for Management’s Use Only," or "Solely for the information and use by the management of [name of entity] and not intended to be and should not be used by any other party."

.24 If the accountant becomes aware that the financial statements have been distributed to third parties, the accountant should discuss the situation with the client and determine the appropriate course of action, including considering requesting that the client have the statements returned. If the accountant requests that the financial statements be returned and the client does not comply with that request within a reasonable period of time, the accountant should notify known third parties that the financial statements are not intended for third party use, preferably in consultation with his or her attorney.

**Emphasis of a Matter**

.25 The accountant may emphasize, in any report on financial statements, a matter disclosed in the financial statements. Such explanatory information should be presented in a separate paragraph of the accountant's report. Emphasis paragraphs are never required; they may be added solely at the accountant's discretion.

Examples of matters that the accountant may wish to emphasize are

- uncertainties.
- that the entity is a component of a larger business enterprise.
- that the entity has had significant transactions with related parties.
- unusually important subsequent events.
- accounting matters, other than those involving a change or changes in accounting principles, affecting the comparability of the financial statements with those of the preceding period.

.26 Because an emphasis of matter paragraph should not be used in lieu of management disclosures, the accountant should not include an emphasis paragraph in a compilation report on financial statements that omit substantially all disclosures unless the matter is disclosed in the financial statements. The accountant should refer to paragraph .20 if he or she believes that a disclosure is necessary to keep the financial statements from being misleading.
Departures From the Applicable Financial Reporting Framework

.27 An accountant who is engaged to compile financial statements may become aware of a departure from the applicable financial reporting framework (including inadequate disclosure) that is material to the financial statements. Paragraph .20 provides guidance to the accountant when the departure relates to the omission of substantially all disclosures in the financial statements that he or she has compiled. Section 300, Compilation Reports on Financial Statements Included in Certain Prescribed Forms, provides guidance when the departure is called for by a prescribed form or related instructions. In all other circumstances, if the financial statements are not revised, the accountant should consider whether modification of the standard report is adequate to disclose the departure.

.28 If the accountant concludes that modification of the standard report is appropriate, the departure should be disclosed in a separate paragraph of the report, including disclosure of the effects of the departure on the financial statements if such effects have been determined by management or are known as the result of the accountant's procedures. The accountant is not required to determine the effects of a departure if management has not done so, provided that the accountant states in the report that such determination has not been made.

See Compilation Exhibit B for examples of compilation reports that disclose departures from the applicable financial reporting framework.

.29 If the accountant believes that modification of the standard report is not adequate to indicate the deficiencies in the financial statements as a whole, the accountant should withdraw from the compilation engagement and provide no further services with respect to those financial statements. The accountant may wish to consult with his or her legal counsel in those circumstances.

Restricting the Use of an Accountant’s Compilation Report

General Use and Restricted Use Reports

.30 The term general use applies to accountants' reports that are not restricted to specified parties. Accountants' reports on financial statements prepared in conformity with an applicable financial reporting framework ordinarily are not restricted regarding use. However, nothing in this section precludes the accountant from restricting the use of any report.

.31 The term restricted use applies to accountants' reports intended only for one or more specified third parties. The need for restriction on the use of a report may result from a number of circumstances, including, but not limited to, the purpose of the report and the potential for the report to be misunderstood when taken out of the context in which it was intended to be used.

.32 The accountant should restrict the use of a report when the subject matter of the accountant's report or the presentation being reported on is based on measurement or disclosure criteria contained in contractual agreements or regulatory provisions that are not in conformity with an applicable financial reporting framework.

6 A contractual agreement, as discussed in this section, is an agreement between the client and one or more third parties other than the accountant.
Reporting on Subject Matter or Presentations Based on Measurement or Disclosure Criteria Contained in Contractual Agreements or Regulatory Provisions

.33 When reports are issued on subject matter or presentations based on measurement or disclosure criteria contained in contractual agreements or regulatory provisions that are not in conformity with an applicable financial reporting framework, the accountant should restrict the report because the basis, assumptions, or purpose of such presentations (contained in such agreements or regulatory provisions) are developed for, and directed only to, the parties to the agreement or regulatory agency responsible for the provisions. The report also should be restricted because the report, the subject matter, or the presentation may be misunderstood by those who are not adequately informed of the basis, assumptions, or purpose of the presentation.

Combined Reports Covering Both Restricted Use and General Use Subject Matter or Presentations

.34 If the accountant issues a single combined report covering both (a) subject matter or presentations that require a restriction on use to specified parties and (b) subject matter or presentations that ordinarily do not require such a restriction, the use of such a single combined report should be restricted to the specified parties.

Inclusion of a Separate Restricted Use Report in the Same Document With a General Use Report

.35 When required by law or regulation, a separate restricted use report may be included in a document that also contains a general use report. The inclusion of a separate restricted use report in a document that contains a general use report does not affect the intended use of either report. The restricted use report remains restricted regarding use, and the general use report continues for general use.

Adding Other Specified Parties

.36 Subsequent to the completion of an engagement resulting in a restricted use report, or in the course of such an engagement, the accountant may be asked to consider adding other parties as specified parties.

.37 If the accountant is reporting on subject matter or a presentation based on measurement or disclosure criteria contained in contractual agreements or regulatory provisions, as described in paragraph .33, the accountant may agree to add other parties as specified parties based on the accountant's consideration of factors such as the identity of the other parties, their knowledge of the basis of the measurement or disclosure criteria, and the intended use of the report. If the accountant agrees to add other parties as specified parties, the accountant should obtain affirmative acknowledgment, preferably in writing, from the other parties of their understanding of the nature of the engagement, the measurement or disclosure criteria used in the engagement, and the related report. If the other parties are added after the accountant has issued his or her report, the report may be reissued, or the accountant may provide other written acknowledgment that the other parties have been added as specified parties. If the report is reissued, the report date should not be changed. If the accountant provides written acknowledgment that the other parties have been added as specified parties, such written acknowledgment ordinarily should state that no procedures have been performed subsequent to the date of the report.
Limiting the Distribution of Reports

.38 Because of the reasons presented in paragraph .31, the accountant should consider informing his or her client that restricted use reports are not intended for distribution to nonspecified parties, regardless of whether they are included in a document containing a separate general use report. This section does not preclude the accountant, in connection with establishing the terms of the engagement, from reaching an understanding with the client that the intended use of the report will be restricted and from obtaining the client's agreement that the client and the specified parties will not distribute the report to parties other than those identified in the report. However, the accountant is not responsible for controlling a client's distribution of restricted use reports. Accordingly, a restricted use report should alert readers to the restriction on the use of the report by indicating that the report is not intended to be and should not be used by anyone other than the specified parties.

Report Language—Restricted Use

.39 An accountant's report that is restricted should contain a separate paragraph at the end of the report that includes the following elements:

a. A statement indicating that the report is intended solely for the information and use of the specified parties.

b. An identification of the specified parties to whom use is restricted. The report may list the specified parties or refer the reader to the specified parties listed elsewhere in the report.

c. A statement that the report is not intended to be and should not be used by anyone other than the specified parties.

An Entity's Ability to Continue as a Going Concern

.40 During the performance of compilation procedures, evidence or information may come to the accountant's attention indicating that an uncertainty may exist about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being compiled (hereinafter referred to as a reasonable period of time). In those circumstances, the accountant should request that management consider the possible effects of the going concern uncertainty on the financial statements, including the need for related disclosure.

.41 After management communicates to the accountant the results of its consideration of the possible effects on the financial statements, the accountant should consider the reasonableness of management's conclusions, including the adequacy of the related disclosures, if applicable.

.42 If the accountant determines that management's conclusions are unreasonable or the disclosure of the uncertainty regarding the entity's ability to continue as a going concern is not adequate, he or she should follow the guidance in paragraphs .27–.29 with respect to departures from an applicable financial reporting framework.

.43 The accountant may emphasize an uncertainty about an entity's ability to continue as a going concern, provided that the uncertainty is disclosed in the

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7 In some cases, restricted use reports filed with regulatory agencies are required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to restricted use reports in which they are not named as a specified party.
financial statements. In such circumstances, the accountant should follow the
guidance in paragraphs .25–.26.

Subsequent Events

.44 Evidence or information that a subsequent event that has a material
effect on the compiled financial statements has occurred may come to the ac-
countant's attention in the following ways:
   a. During the performance of compilation procedures
   b. Subsequent to the date of the accountant's compilation report but
      prior to the release of the report 8

In either case, the accountant should request that management consider the
possible effects on the financial statements, including the adequacy of any re-
lated disclosure, if applicable.

.45 If the accountant determines that the subsequent event is not ade-
quately accounted for in the financial statements or disclosed in the notes, he
or she should follow the guidance in paragraphs .27–.29.

.46 Occasionally, a subsequent event has such a material impact on the
entity that the accountant may wish to include in his or her compilation report
an explanatory paragraph directing the reader's attention to the event and its
effects. Such an emphasis of matter paragraph may be added at the accountant's
discretion, provided that the matter is disclosed in the financial statements. See
paragraphs .25–.26 for additional guidance with respect to emphasis of matter
paragraphs.

Subsequent Discovery of Facts Existing at the Date
of the Report

.47 Subsequent to the date of the report on the financial statements that
the accountant has compiled, he or she may become aware that facts may have
existed at that date that might have caused him or her to believe that informa-
tion supplied by the entity was incorrect, incomplete, or otherwise unsatisfac-
tory had the accountant then been aware of such facts. 9 Because of the variety
of conditions that might be encountered, some of the procedures contained in
this section are necessarily set out only in general terms; the specific actions to
be taken in a particular case may vary with the circumstances. The accountant
would be well advised to consult with his or her legal counsel when he or she
encounters the circumstances to which this section may apply because of legal
implications that may be involved in actions contemplated herein.

.48 After the date of the accountant's compilation report, the accountant
has no obligation to perform other compilation procedures with respect to the
financial statements, unless new information comes to his or her attention.
However, when the accountant becomes aware of information that relates to
financial statements previously reported on by him or her, but that was not
known to the accountant at the date of the report, (and that is of such a na-
ture and from such a source that the accountant would have investigated it
had it come to his or her attention during the course of the compilation), the

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8 For purposes of this section, with respect to compiled financial statements in which the ac-
countant does not report, the submission of the compiled financial statements is the equivalent of the
accountant's compilation or review report date.

9 See footnote 8.
accountant should, as soon as practicable, undertake to determine whether the information is reliable and whether the facts existed at the date of the report. The accountant should discuss the matter with his or her client at whatever management levels the accountant deems appropriate and request cooperation in whatever investigation may be necessary. In addition to management, the accountant may deem it appropriate to discuss the matter with those charged with governance. If the nature and effect of the matter are such that (a) the accountant’s report or the financial statements would have been affected if the information had been known to the accountant at the accountant’s compilation report date and had not been reflected in the financial statements and (b) the accountant believes that persons are currently using or are likely to use the financial statements, and those persons would attach importance to the information, the accountant should obtain additional or revised information. Consideration should be given to, among other things, the time elapsed since the financial statements were issued.

.49 When the accountant has concluded that action should be taken to prevent further use of the accountant’s report or the financial statements, the accountant should advise his or her client to make appropriate disclosure of the newly discovered facts and their impact on the financial statements to persons who are known to be currently using or who are likely to use the financial statements. When the client undertakes to make appropriate disclosure, the method used and the disclosure made will depend on the circumstances. For example

a. if the effect of the subsequently discovered information on the accountant’s report or the financial statements can promptly be determined, disclosure should consist of issuing, as soon as practicable, revised financial statements and, when applicable, the accountant’s report. The reasons for the revision usually should be described in a note to the financial statements and, when applicable, referred to in the accountant’s report. Generally, only the most recently issued compiled financial statements would need to be revised, even though the revision resulted from events that had occurred in prior years.

b. when issuance of financial statements for a subsequent period is imminent, so that disclosure is not delayed, appropriate disclosure of the revision can be made in such statements instead of reissuing the earlier statements, pursuant to subparagraph (a).

c. when the effect on the financial statements of the subsequently discovered information cannot be promptly determined, the issuance of revised financial statements would necessarily be delayed. In this circumstance, when it appears that the information will require a revision of the statements, appropriate disclosure would consist of notification by the client to persons who are known to be using or who are likely to use the financial statements that the statements should not be used; that revised financial statements will be issued; and, when applicable, that the accountant’s report will be issued as soon as practicable.

.50 The accountant should take whatever steps he or she deems necessary to satisfy himself or herself that the client has made the disclosures specified in paragraph .49.

.51 If the client refuses to make the disclosures specified in paragraph .49, the accountant should notify the appropriate personnel at the highest levels within the entity, such as the manager (owner) or those charged with governance, of such refusal and of the fact that, in the absence of disclosure by the
client, the accountant will take steps as outlined subsequently to prevent further use of the financial statements and, if applicable, the accountant's report. The steps that can appropriately be taken will depend upon the degree of certainty of the accountant's knowledge that persons exist who are currently using or who will use the financial statements and, if applicable, the accountant's report and who would attach importance to the information and the accountant's ability as a practical matter to communicate with them. Unless the accountant's attorney recommends a different course of action, the accountant should take the following steps to the extent applicable:

- **a.** Notification to the client that the accountant's report must no longer be associated with the financial statements.
- **b.** Notification to the regulatory agencies having jurisdiction over the client that the accountant's report should no longer be used.
- **c.** Notification to each person known to the accountant to be using the financial statements that the financial statements and the accountant's report should no longer be used. In many instances, it will not be practicable for the accountant to give appropriate individual notification to stakeholders whose identities ordinarily are unknown to him or her; notification to a regulatory agency having jurisdiction over the client will usually be the only practicable way for the accountant to provide appropriate disclosure. Such notification should be accompanied by a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure.

The following guidelines should govern the content of any disclosure made by the accountant in accordance with paragraph .51, to persons other than his or her client:

- **a.** The disclosure should include a description of the nature of the subsequently acquired information and its effect on the financial statements.
- **b.** The information disclosed should be as precise and factual as possible and should not go beyond that which is reasonably necessary to accomplish the purpose mentioned in the preceding subparagraph (a). Comments concerning the conduct or motives of any person should be avoided.

If the client has not cooperated, the accountant's disclosure need not detail the specific information but can merely indicate that the client has not cooperated with the accountant's attempt to substantiate information that has come to the accountant's attention and that, if the information is true, the accountant believes that the compilation report must no longer be used or associated with the financial statements. No such disclosure should be made unless the accountant believes that the financial statements are likely to be misleading and that the accountant's compilation report should not be used.

**Supplementary Information**

.53 When the basic financial statements are accompanied by information presented for supplementary analysis purposes, the accountant should clearly indicate the degree of responsibility, if any, he or she is taking with respect to such information. When the accountant has compiled both the basic financial statements and other data presented only for supplementary analysis purposes, the compilation report should refer to the other data, or the accountant can issue a separate report on the other data. If a separate report is issued, the report
should state that the other data accompanying the financial statements are presented only for the purposes of additional analysis, and that the information has been compiled from information that is the representation of management, without audit or review, and that the accountant does not express an opinion or provide any assurance on such data.

Communicating to Management and Others

.54 When evidence or information comes to the accountant’s attention during the performance of compilation procedures that fraud or an illegal act may have occurred, that matter should be brought to the attention of the appropriate level of management. The accountant need not report matters regarding illegal acts that are clearly inconsequential and may reach agreement in advance with the entity on the nature of such items to be communicated. When matters regarding fraud or an illegal act involve senior management, the accountant should report the matter to an individual or group at a higher level within the entity, such as the manager (owner) or those charged with governance. The communication may be oral or written. If the communication is oral, the accountant should document it. When matters regarding fraud or an illegal act involve an owner of the business, the accountant should consider resigning from the engagement. Additionally, the accountant should consider consulting with his or her legal counsel whenever any evidence or information comes to his or her attention during the performance of compilation procedures that fraud or an illegal act may have occurred, unless such illegal act is clearly inconsequential.

.55 The disclosure of any evidence or information that comes to the accountant’s attention during the performance of compilation procedures that fraud or an illegal act may have occurred to parties other than the client’s senior management (or those charged with governance, if applicable) ordinarily is not part of the accountant’s responsibility and, ordinarily, would be precluded by the accountant’s ethical or legal obligations of confidentiality. The accountant should recognize, however, that in the following circumstances, a duty to disclose to parties outside of the entity may exist:

a. To comply with certain legal and regulatory requirements
b. To a successor accountant when the successor decides to communicate with the predecessor accountant in accordance with section 400, Communications Between Predecessor and Successor Accountants, regarding acceptance of an engagement to compile or review the financial statements of a nonissuer

c. In response to a subpoena

Because potential conflicts between the accountant's ethical and legal obligations for confidentiality of client matters may be complex, the accountant may wish to consult with legal counsel before discussing matters covered by paragraph .54 with parties outside the client.

Change in Engagement From Audit or Review to Compilation

.56 The accountant who has been engaged to audit the financial statements of a nonissuer in accordance with auditing standards generally accepted in the United States of America or the accountant who has been engaged to review the financial statements of a nonissuer in accordance with SSARSs may, before the completion of the audit or review, be requested to change the engagement to a compilation of financial statements. A request to change the engagement may
result from a change in circumstances affecting the entity's requirement for an audit or review; a misunderstanding regarding the nature of an audit, review, or compilation; or a restriction on the scope of the audit or review, whether imposed by the client or caused by circumstances.

.57 Before the accountant, who was engaged to perform an audit in accordance with auditing standards generally accepted in the United States of America or a review in accordance with SSARSs, agrees to change the engagement to a compilation, at least the following should be considered:

a. The reason given for the client's request, particularly the implications of a restriction on the scope of the audit or review, whether imposed by the client or by circumstances

b. The additional audit or review effort required to complete the audit or review

c. The estimated additional cost to complete the audit or review

.58 A change in circumstances that affects the entity's requirement for an audit or review or a misunderstanding concerning the nature of an audit, review, or compilation would ordinarily be considered a reasonable basis for requesting a change in the engagement.

.59 In considering the implications of a restriction on the scope of the audit or review, the accountant should evaluate the possibility that information affected by the scope restriction may be incorrect, incomplete, or otherwise unsatisfactory. Nevertheless, when the accountant has been engaged to audit an entity's financial statements and has been prohibited by the client from corresponding with the entity's legal counsel, the accountant ordinarily would be precluded from issuing a compilation report on the financial statements. If in an audit or a review engagement, a client does not provide the accountant with a signed representation letter, the accountant would ordinarily be precluded from issuing a compilation report on the financial statements.

.60 In all circumstances, if the audit or review procedures are substantially complete or the cost to complete such procedures is relatively insignificant, the accountant should consider the propriety of accepting a change in the engagement.

.61 If the accountant concludes, based upon his or her professional judgment, that reasonable justification exists to change the engagement, and if he or she complies with the standards applicable to a compilation engagement, the accountant should issue an appropriate compilation report. The report should not include reference to (a) the original engagement, (b) any audit or review procedures that may have been performed, or (c) scope limitations that resulted in the changed engagement.

Effective Date

.62 This section is effective for compilations of financial statements for periods ending on or after December 15, 2010. Early implementation of the requirements and guidance in paragraph .21 is permitted.
Compilation Exhibit A—Illustrative Engagement Letters

Standard Engagement Letter for a Compilation

[Appropriate Salutation]

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

We will compile, from information you provide, the annual [and interim, if applicable] financial statements of XYZ Company as of and for the year ended December 31, 20XX, and issue an accountant’s report thereon in accordance with Statements on Standards for Accounting and Review Services (SSARSs) issued by the American Institute of Certified Public Accountants (AICPA).

The objective of a compilation is to assist you in presenting financial information in the form of financial statements. We will utilize information that is your representation without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)].

You are responsible for

a. the preparation and fair presentation of the financial statements in accordance with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)].

b. designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

c. preventing and detecting fraud

d. identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.

e. making all financial records and related information available to us.

We are responsible for conducting the engagement in accordance with SSARSs issued by the AICPA.

A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity’s internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, we will not express an opinion or provide any assurance regarding the financial statements being compiled.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our compilation procedures that fraud may have occurred.
In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. If, during the period covered by the engagement letter, the accountant’s independence is or will be impaired, insert the following:

We are not independent with respect to XYZ Company. We will disclose that we are not independent in our compilation report.

If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

Our fees for these services...

We will be pleased to discuss this letter with you at any time. If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.

Sincerely yours,

[Signature of accountant]

Acknowledged:

XYZ Company

President

Date
Engagement Letter for a Compilation of Financial Statements
Not Intended for Third Party Use

[Appropriate Salutation]

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

We will compile, from information you provide, the [monthly, quarterly, or other frequency] financial statements of XYZ Company as of and for the year ended December 31, 20XX.

The objective of a compilation is to assist you in presenting financial information in the form of financial statements. We will utilize information that is your representation without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)].

You are responsible for

a. the preparation and fair presentation of the financial statements in accordance with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)].

b. designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

c. preventing and detecting fraud.

d. identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.

e. making all financial records and related information available to us.

We are responsible for conducting the engagement in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity’s internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, we will not express an opinion or provide any assurance regarding the financial statements being compiled.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our compilation procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential.
The financial statements will not be accompanied by a report and are for management’s use only and are not to be used by a third party.

*If, during the period covered by the engagement letter, the accountant’s independence is or will be impaired, insert the following:*

*We are not independent with respect to XYZ Company.*

Our fees for these services...

We will be pleased to discuss this letter with you at any time. If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.

Sincerely yours,

_________________________
[Signature of accountant]

Acknowledged:

XYZ Company

_________________________
President

_________________________
Date
Compilation Exhibit B—Illustrative Compilation Reports

*Standard compilation report on financial statements prepared in accordance with accounting principles generally accepted in the United States of America*

**Accountant’s Compilation Report**

[Appropriate Salutation]

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 20XX, and the related statements of income, retained earnings, and cash flows for the year then ended. I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My (our) responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

[Signature of accounting firm or accountant, as appropriate]

[Date]

*Standard accountant’s compilation report on financial statements prepared in accordance with the cash basis of accounting*

**Accountant’s Compilation Report**

[Appropriate Salutation]

I (we) have compiled the accompanying statement of assets and liabilities arising from cash transactions of XYZ Company as of December 31, 20XX, and the related statement of revenue collected and expenses paid for the year then ended. I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the cash basis of accounting.

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My (our) responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.
Paragraph the accountant may add after the conclusion paragraph when management has elected to omit substantially all disclosures, but the financial statements are otherwise in conformity with accounting principles generally accepted in the United States of America

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Paragraph the accountant may add after the conclusion paragraph when management has elected to omit substantially all disclosures, but the financial statements are otherwise in conformity with the income tax basis of accounting

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenue, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Accountant’s compilation report on financial statements prepared in accordance with accounting principles generally accepted in the United States of America when the accountant’s independence has been impaired, and the accountant determines to not disclose the reason for the independence impairment

Accountant’s Compilation Report

[Appropriate Salutation]

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 20XX, and the related statements of income, retained earnings, and cash flows for the year then ended. I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My (our) responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

I am (we are) not independent with respect to XYZ Company.

[Signature of accounting firm or accountant, as appropriate]

[Date]
Accountant’s compilation report on financial statements prepared in accordance with accounting principles generally accepted in the United States of America when the accountant’s independence has been impaired due to the accountant having a financial interest in the client, and the accountant decides to disclose the reason for the independence impairment

Accountant’s Compilation Report

[Appropriate Salutation]

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 20XX, and the related statements of income, retained earnings, and cash flows for the year then ended. I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My (our) responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

I am (we are) not independent with respect to XYZ Company as during the year ended December 31, 20XX, I (a member of the engagement team) had a direct financial interest in XYZ Company.

[Signature of accounting firm or accountant, as appropriate]

[Date]

Accountant’s compilation report on financial statements disclosing a departure from accounting principles generally accepted in the United States of America

Accountant’s Compilation Report

[Appropriate Salutation]

I (we) have compiled the accompanying balance sheet of XYZ Company as of December 31, 20XX, and the related statements of income, retained earnings, and cash flows for the year then ended. I (we) have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My (our) responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information
in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements. During our compilation, I (we) did become aware of a departure (certain departures) from accounting principles generally accepted in the United States of America that is (are) described in the following paragraph.

As disclosed in Note X to the financial statements, accounting principles generally accepted in the United States of America require that land be stated at cost. Management has informed me (us) that the company has stated its land at appraised value and that, if accounting principles generally accepted in the United States of America had been followed, the land account and stockholders' equity would have been decreased by $500,000.

or

A statement of cash flows for the year ended December 31, 20XX, has not been presented. Accounting principles generally accepted in the United States of America require that such a statement be presented when financial statements purport to present financial position and results of operations.¹

[Signature of accounting firm or accountant, as appropriate]
[Date]

¹ If a statement of cash flows is not presented, the first paragraph of the accountant’s compilation report should be modified accordingly.
AR Section 90

Review of Financial Statements

Issue date, unless otherwise indicated: December 2009

Source: SSARS No. 19; SSARS No. 20.

.01 This section establishes standards and provides guidance on reviews of financial statements. The accountant is required to comply with the provisions of this section whenever he or she has been engaged to review financial statements, except for reviews of interim financial information if the following are true:

a. The entity's latest annual financial statements have been audited by the accountant or a predecessor.

b. The accountant either
   i. has been engaged to audit the entity's current year financial statements, or
   ii. audited the entity's latest annual financial statements and, when it is expected that the current year financial statements will be audited, the appointment of another accountant to audit the current year financial statements is not effective prior to the beginning of the period covered by the review.

c. The entity prepares its interim financial information in accordance with the same financial reporting framework as that used to prepare the annual financial statements.

Accountants engaged to perform reviews of interim financial information when the conditions in (a)–(c) are met should perform such reviews in accordance with AU-C section 930, Interim Financial Information. [As amended, effective for reviews of financial statements for periods beginning after December 15, 2011, by SSARS No. 20. Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

.02 The accountant is precluded from performing a review engagement if the accountant's independence is impaired for any reason. In making a judgment about whether he or she is independent, the accountant should be guided by the AICPA's Code of Professional Conduct.

Establishing an Understanding

.03 The accountant should establish an understanding with management regarding the services to be performed for review engagements and should document the understanding through a written communication with management. Such an understanding reduces the risk that either the accountant or

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1 See paragraph .29 of QC section 10, A Firm's System of Quality Control. [Footnote revised, December 2012, to reflect conforming changes necessary due to the issuance of SQCS No. 8.]
management may misinterpret the needs or expectations of the other party. For example, it reduces the risk that management may inappropriately rely on the accountant to protect the entity against certain risks or to perform certain functions that are management's responsibility. The accountant should ensure that the understanding includes the objectives of the engagement, management's responsibilities, the accountant's responsibilities, and the limitations of the engagement. In some cases, the accountant may establish such understanding with those charged with governance.

.04 An understanding with management and, if applicable, those charged with governance regarding a review of financial statements should include the following matters:

- The objective of a review is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework.

- Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

- Management is responsible for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

- Management is responsible to prevent and detect fraud.

- Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.

- Management is responsible for making all financial records and related information available to the accountant.

- Management will provide the accountant, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

- The accountant is responsible for conducting the engagement in accordance with SSARSs issued by the AICPA.

- A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management.

- A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, the accountant will not express an opinion regarding the financial statements as a whole.
• The engagement cannot be relied upon to disclose errors, fraud,\(^2\) or illegal acts.\(^3\)
• The accountant will inform the appropriate level of management of any material errors and of any evidence or information that comes to the accountant’s attention during the performance of review procedures that fraud or an illegal act may have occurred.\(^4\)
The accountant need not report any matters regarding illegal acts that may have occurred that are clearly inconsequential and may reach agreement in advance with the entity on the nature of any such matters to be communicated.

These matters should be communicated in the form of an engagement letter. An example of an engagement letter for a review of financial statements is presented in Review Exhibit A, “Illustrative Engagement Letter.”

.05 An understanding with management or, if applicable, those charged with governance also may include other matters, such as the following:

• Fees and billings
• Any limitation of or other arrangements regarding the liability of the accountant or the client, such as indemnification to the accountant for liability arising from knowing misrepresentations to the accountant by management (regulators may restrict or prohibit such liability limitation arrangements)
• Conditions under which access to review documentation may be granted to others
• Additional services to be provided relating to regulatory requirements

.06 The engagement letter also should address the following additional matters if applicable:

• Material departures from the applicable financial reporting framework may exist, and the effects of those departures, if any, on the financial statements may not be disclosed.
• Reference to supplementary information.

**Review Performance Requirements**

.07 The performance of a review engagement requires that the accountant perform procedures designed to accumulate review evidence that will provide a reasonable basis for obtaining limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework.

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\(^2\) For purposes of this section, fraud is an intentional act that results in a misstatement in reviewed financial statements.

\(^3\) For purposes of this section, illegal acts are violations of laws or government regulations, excluding fraud.

\(^4\) Whether an act is, in fact, fraudulent or illegal is a determination that is normally beyond the accountant’s professional competence. An accountant, in reporting on financial statements, presents himself or herself as one who is proficient in accounting and review services. The accountant’s training, experience, and understanding of the client and its industry may provide a basis for recognition that some client acts coming to his or her attention may be fraudulent or illegal. However, the determination as to whether a particular act is fraudulent or illegal would generally be based on the advice of an informed expert qualified to practice law or may have to await final determination by a court of law.
Statements on Standards for Accounting and Review Services

framework. The accountant should apply professional judgment in determining the specific nature, timing, and extent of review procedures. Such procedures should be tailored based on the accountant's understanding of the industry in which the client operates and the accountant's knowledge of the entity. Review evidence obtained through the performance of analytical procedures and inquiry will ordinarily provide the accountant with a reasonable basis for obtaining limited assurance. However, the accountant should perform additional procedures if the accountant determines such procedures to be necessary to obtain limited assurance that the financial statements are not materially misstated.

Understanding of the Industry

.08 The accountant should possess an understanding of the industry in which the client operates, including the accounting principles and practices generally used in the industry sufficient to assist the accountant with determining the specific nature, timing, and extent of review procedures to be performed.

.09 The requirement that the accountant possess a level of knowledge of the industry in which the entity operates does not prevent the accountant from accepting a review engagement for an entity in an industry with which the accountant has no previous experience. It does, however, place upon the accountant a responsibility to obtain the required level of knowledge. The accountant may do so, for example, by consulting AICPA guides, industry publications, financial statements of other entities in the industry, textbooks and periodicals, appropriate continuing professional education, or individuals knowledgeable about the industry.

Knowledge of the Client

.10 The accountant should obtain knowledge about the client sufficient to assist the accountant with determining the specific nature, timing, and extent of review procedures to be performed. That knowledge should include the following:

- An understanding of the client's business
- An understanding of the accounting principles and practices used by the client

.11 In obtaining an understanding of the client's business, the accountant should have a general understanding of the client's organization; its operating characteristics; and the nature of its assets, liabilities, revenues, and expenses. The accountant's understanding of an entity's business is ordinarily obtained through experience with the entity or its industry and inquiry of the entity's personnel.

.12 The accountant should understand the accounting principles and practices used by the client in measuring, recognizing, recording, and disclosing all significant accounts and disclosures in the financial statements. The accountant may obtain an understanding of the accounting policies and procedures used by management through inquiry, the review of client prepared documents, or experience with the client.

.13 In obtaining this understanding of the client's accounting policies and practices, the accountant should be alert to unusual accounting policies and procedures that come to the accountant's attention as a result of his or her knowledge of the industry.
Designing and Performing Review Procedures

.14 Based on

a. the accountant's understanding of the industry,

b. his or her knowledge of the client, and

c. his or her awareness of the risk that he or she may unknowingly fail to modify the accountant's review report on financial statements that are materially misstated,

the accountant should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to accumulate review evidence in obtaining limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework.

.15 The accountant should focus the analytical procedures and inquiries in those areas where the accountant believes there are increased risks of misstatements. The results of the accountant's analytical procedures and inquiries may modify the accountant's risk awareness. For example, the response to an inquiry that cash has not been reconciled for several months may revise the accountant's awareness of risks relative to the cash account.

Analytical Procedures

.16 Understanding financial and nonfinancial relationships is essential in evaluating the results of analytical procedures, and generally requires knowledge of the client and the industry in which the client operates. An understanding of the purposes of analytical procedures and the limitations of those procedures also is important. Accordingly, the identification of the relationships and types of data used, as well as conclusions reached when recorded amounts are compared to expectations, requires judgment by the accountant.

.17 Analytical procedures involve comparisons of expectations developed by the accountant to recorded amounts or ratios developed from recorded amounts. The accountant develops such expectations by identifying and using plausible relationships that are reasonably expected to exist based on the accountant's understanding of the industry in which the client operates and knowledge of the client. Following are examples of sources of information for developing expectations:

a. Financial information for comparable prior period(s), giving consideration to known changes

b. Anticipated results (for example, budgets or forecasts, including extrapolations from interim or annual data)

c. Relationships among elements of financial information within the period

d. Information regarding the industry in which the client operates (for example, gross margin information)

e. Relationships of financial information with relevant nonfinancial information (for example, payroll costs to number of employees)

Analytical procedures may be performed at the financial statement level or at the detailed account level. The nature, timing, and extent of the analytical procedures are a matter of professional judgment.

.18 If analytical procedures performed identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, the accountant should investigate
these differences by inquiring of management and performing other procedures as necessary in the circumstances. Review evidence relevant to management's responses may be obtained by evaluating those responses, taking into account the accountant’s understanding of the entity and its environment, along with other review evidence obtained during the course of the review. Although the accountant is not required to corroborate management's responses with other evidence, the accountant may need to perform other procedures when, for example, management is unable to provide an explanation, or the explanation, together with review evidence obtained relevant to management's response, is not considered adequate.

**Inquiries and Other Review Procedures**

.19 The accountant should consider performing the following:

a. Inquire of members of management who have responsibility for financial and accounting matters concerning the following:

i. Whether the financial statements have been prepared in conformity with the applicable financial reporting framework

ii. The entity's accounting principles and practices and the methods followed in applying them and the entity's procedures for recording, classifying, and summarizing transactions and accumulating information for disclosure in the financial statements

iii. Unusual or complex situations that may have an effect on the financial statements

iv. Significant transactions occurring or recognized near the end of the reporting period

v. The status of uncorrected misstatements identified during the previous engagement

vi. Questions that have arisen in the course of applying the review procedures

vii. Events subsequent to the date of the financial statements that could have a material effect on the financial statements

viii. Their knowledge of any fraud or suspected fraud affecting the entity involving management or others where the fraud could have a material effect on the financial statements (for example, communications received from employees, former employees, or others)

ix. Significant journal entries and other adjustments

x. Communications from regulatory agencies

In addition to members of management who have responsibility for financial and accounting matters, the accountant may determine to direct inquiries to others within the entity and those charged with governance, if appropriate.
b. Inquire concerning actions taken at meetings of stockholders, the board of directors, committees of the board of directors, or comparable meetings that may affect the financial statements

c. Read the financial statements to consider, on the basis of information coming to the accountant's attention, whether the financial statements appear to conform with the applicable financial reporting framework

d. Obtain reports from other accountants, if any, who have been engaged to audit or review the financial statements of significant components of the reporting entity, its subsidiaries, and other investees.

.20 The accountant ordinarily is not required to corroborate management's responses with other evidence; however, the accountant should consider the reasonableness and consistency of management's responses in light of the results of other review procedures and the accountant's knowledge of the client's business and the industry in which it operates.

Incorrect, Incomplete, or Otherwise Unsatisfactory Information

.21 During the performance of review procedures, the accountant may become aware that information coming to his or her attention is incorrect, incomplete, or otherwise unsatisfactory. In such instances, the accountant should request that management consider the effect of these matters on the financial statements and communicate the results of its consideration to the accountant. The accountant should consider the results communicated to the accountant by management and the effect, if any, on the accountant's review report. If the accountant believes the financial statements may be materially misstated, the accountant should perform additional procedures deemed necessary to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework. If the accountant concludes that the financial statements are materially misstated, the accountant should follow the guidance in paragraphs .34–.36 with respect to departures from the applicable financial reporting framework.

Management Representations

.22 Written representations are required from management for all financial statements and periods covered by the accountant's review report. For example, if comparative financial statements are reported on, the representations obtained at the completion of the most recent review should address all periods being reported on. If current management was not present during all periods covered by the accountant's report, the accountant should nevertheless obtain written representations from current management for all such periods. The specific written representations obtained by the accountant will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. Written representations from management ordinarily

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5 The financial statements of the reporting entity ordinarily include an accounting for all significant components, such as unconsolidated subsidiaries and investees. If other accountants are engaged to audit or review the financial statements of such components, the accountant will require reports from the other accountants as a basis, in part, for the accountant's review report with respect to the review of the financial statements of the reporting entity. The accountant may decide to make reference to the work of other accountants in the accountant's review report on the financial statements. If such reference is made, the report should indicate the magnitude of the portion of the financial statements audited or reviewed by the other accountants.
confirm representations explicitly or implicitly given to the accountant, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations. The accountant should request that management provide a written representation related to the following matters:

a. Management's acknowledgment of its responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework

b. Management's belief that the financial statements are fairly presented in accordance with the applicable financial reporting framework

c. Management's acknowledgement of its responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements

d. Management's acknowledgement of its responsibility to prevent and detect fraud

e. Knowledge of any fraud or suspected fraud affecting the entity involving management or others where the fraud could have a material effect on the financial statements, including any communications received from employees, former employees, or others

f. Management's full and truthful response to all inquiries

g. Completeness of information

h. Information concerning subsequent events

The representation letter ordinarily should be tailored to include additional appropriate representations from management relating to matters specific to the entity's business or industry. An illustrative representation letter is presented in Review Exhibit B, "Illustrative Representation Letter."

.23 Circumstances exist in which the accountant should consider obtaining an updating representation letter from management (for example, the accountant obtains a management representation letter after completion of inquiry and analytical review procedures, but does not issue the review report for a significant period of time thereafter, or a material subsequent event occurs after the completion of inquiry and analytical review procedures, including obtaining the original management representation letter, but before the issuance of the report on the reviewed financial statements). In addition, if a predecessor accountant is requested to reissue the report on the financial statements of a prior period and those financial statements are to be presented on a comparative basis with reviewed financial statements of a subsequent period, the predecessor accountant should obtain an updating representation letter from the management of the former client. The updating management representation letter should state (a) whether any information has come to management's attention that would cause management to believe that any of the previous representations should be modified and (b) whether any events have occurred subsequent to the balance-sheet date of the latest financial statements reported on by the accountant that would require adjustment to or disclosure in those financial statements. An illustrative updating management representation letter is contained in Review Exhibit C, "Illustrative Updating Management Representation Letter."

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6 The accountant is not precluded from obtaining representations regarding services performed in addition to the review engagement.

7 See paragraphs .20–.24 of section 200, Reporting on Comparative Financial Statements.
.24 Because the accountant is concerned with events occurring through the date of the report that may require adjustment to or disclosure in the financial statements, management’s representations set forth in the management representation letter should be made as of the date of the accountant’s review report. The accountant need not be in physical receipt of the management representation letter as of the date of the accountant’s review report, provided that management has acknowledged that they will sign the representation letter without modification and it is received prior to the release of the report. The management representation letter should be addressed to the accountant. The letter should be signed by those members of management whom the accountant believes are responsible for and knowledgeable about (directly or through others in the organization) the matters covered in the representation letter. Normally, the chief executive officer and chief financial officer or others with equivalent positions in the entity should sign the representation letter.

Documentation in a Review Engagement

.25 The accountant should prepare documentation in connection with each review engagement in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results of review procedures performed); the review evidence obtained and its source; and the conclusions reached. Documentation does the following:

a. Provides the principal support for the representation in the accountant’s review report that the accountant performed the review in accordance with SSARSs

b. Provides the principal support for the conclusion that the accountant is not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with the applicable financial reporting framework

.26 The form, content, and extent of documentation depend on the circumstances of the engagement, the methodology and tools used, and the accountant’s professional judgment. The accountant’s documentation should include the following:

• The engagement letter documenting the understanding with the client.
• The analytical procedures performed, including the following:
  — The expectations, when the expectations are not otherwise readily determinable from the documentation of the work performed, and the factors considered in the development of the expectations
  — Results of the comparison of the expectations to the recorded amounts or ratios developed from recorded amounts
  — Management’s responses to the accountant’s inquiries regarding fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount
• Any additional review procedures performed in response to significant unexpected differences arising from analytical procedures and the results of such additional procedures.
• The significant matters covered in the accountant’s inquiry procedures and the responses thereto. The accountant may document
the matters covered by the accountant's inquiry procedures and
the responses therefor through a memorandum, checklist, or other
means.

• Any findings or issues that, in the accountant's judgment, are sig-
nificant (for example, the results of review procedures that indi-
cate the financial statements could be materially misstated, in-
cluding actions taken to address such findings, and the basis for
the final conclusions reached).

• Significant unusual matters that the accountant considered dur-
ing the performance of the review procedures, including their dis-
position.

• Communications, whether oral or written, to the appropriate level
of management regarding fraud or illegal acts that come to the
accountant's attention.

• The representation letter.

The accountant is not precluded from supporting the review report by other
means in addition to the review documentation. Such other means might in-
clude written documentation contained in other engagement files (for example,
compilation or nonattest services) or quality control files (for example, con-
sultation files) and, in limited situations, oral explanations. Oral explanations
on their own do not represent sufficient support for the work the accountant
performed or conclusions the accountant reached but may be used by the ac-
countant to clarify or explain information contained in the documentation.

**Reporting on the Financial Statements**

.27 Financial statements reviewed by an accountant should be accompa-
nied by a written report. The accountant's objective in reporting on the financial
statements is to prevent misinterpretation of the degree of responsibility the
accountant is assuming when his or her name is associated with the financial
statements.

.28 The basic elements of the report are as follows:

a. *Title.* The accountant's review report should have a title that
   clearly indicates that it is the accountant's review report and in-
   cludes the word *independent.* An appropriate title would be "In-
   dependent Accountant's Review Report."

b. *Addressee.* The accountant's report should be addressed as re-
   quired by the circumstances of the engagement.

c. *Introductory paragraph.* The introductory paragraph in the ac-
   countant's report should

   i. identify the entity whose financial statements have been
      reviewed;

   ii. state that the financial statements have been reviewed;

   iii. identify the financial statements; that have been re-
       viewed;

   iv. specify the date or period covered by the financial state-
       ments;

   v. include a statement that a review includes primarily ap-
      plying analytical procedures to management's (owners') fi-
      nancial data and making inquiries of company manage-
      ment (owners); and
vi. include a statement that a review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole, and that, accordingly, the accountant does not express such an opinion.

d. Management’s responsibility for the financial statements. A statement that management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

e. Accountant’s responsibility. A statement that the accountant’s responsibility is to conduct the review in accordance with SSARSs issued by the AICPA.

A statement that those standards require the accountant to perform the procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements.

A statement that the accountant believes that the results of his or her procedures provide a reasonable basis for his or her report.

f. Results of engagement. A statement that, based on his or her review, the accountant is not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with the applicable financial reporting framework, other than those modifications, if any, indicated in the report.

g. Signature of the accountant. The manual or printed signature of the accounting firm or the accountant as appropriate.

h. Date of the accountant’s report. The date of the review report (the accountant’s review report should not be dated earlier than the date on which the accountant has accumulated review evidence sufficient to provide a reasonable basis for concluding that the accountant has obtained limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework).

See Review Exhibit D, "Illustrative Review Reports," for examples of review reports.

.29 Each page of the financial statements reviewed by the accountant should include a reference, such as "See Independent Accountant’s Review Report."

.30 When the accountant is unable to perform the inquiry and analytical procedures he or she considers necessary to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework, or the client does not provide the accountant with a representation letter, the review will be incomplete. A review that is incomplete does not provide an adequate basis for issuing a review report. In such a situation, the accountant should consider the matters discussed in paragraphs .56–.61 of section 80, Compilation of Financial Statements, in deciding whether it is appropriate to issue a compilation report on the financial statements.
The accountant may be asked to issue a review report on one financial statement, such as a balance sheet, and not on other related financial statements, such as the statements of income, retained earnings, and cash flows. The accountant may do so if the scope of his or her inquiry and analytical procedures has not been restricted.

Financial statements prepared in accordance with an OCBOA are not considered appropriate in form unless the financial statements include

- a description of the OCBOA, including a summary of significant accounting policies and a description of the primary differences from GAAP. The effects of the differences need not be quantified.
- informative disclosures similar to those required by GAAP if the financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP.

Emphasis of a Matter

The accountant may emphasize, in any report on financial statements, a matter disclosed in the financial statements. Such explanatory information should be presented in a separate paragraph of the accountant’s report. Emphasis paragraphs are never required; they may be added solely at the accountant’s discretion.

Examples of matters that the accountant may wish to emphasize are

- uncertainties.
- that the entity is a component of a larger business enterprise.
- that the entity has had significant transactions with related parties.
- unusually important subsequent events.
- accounting matters, other than those involving a change or changes in accounting principles, affecting the comparability of the financial statements with those of the preceding period.

Departures From the Applicable Financial Reporting Framework

An accountant who is engaged to review financial statements may become aware of a departure from the applicable financial reporting framework (including inadequate disclosure) that is material to the financial statements. If the financial statements are not revised, the accountant should consider whether modification of the standard report is adequate to disclose the departure.

If the accountant concludes that modification of the standard report is appropriate, the departure should be disclosed in a separate paragraph of the report, including disclosure of the effects of the departure on the financial statements if such effects have been determined by management or are known as the result of the accountant’s procedures. The accountant is not required to determine the effects of a departure if management has not done so, provided that the accountant states in the report that such determination has not been made.

See Review Exhibit D for examples of review reports that disclose departures from the applicable financial reporting framework.
If the accountant believes that modification of the standard report is not adequate to indicate the deficiencies in the financial statements as a whole, the accountant should withdraw from the review engagement and provide no further services with respect to those financial statements. The accountant may wish to consult with his or her legal counsel in those circumstances.

Restricting the Use of an Accountant’s Review Report

**General Use and Restricted Use Reports**

The term *general use* applies to accountants' reports that are not restricted to specified parties. Accountants' reports on financial statements prepared in conformity with an applicable financial reporting framework ordinarily are not restricted regarding use. However, nothing in this section precludes the accountant from restricting the use of any report.

The term *restricted use* applies to accountants' reports intended only for one or more specified third parties. The need for restriction on the use of a report may result from a number of circumstances, including, but not limited to, the purpose of the report and the potential for the report to be misunderstood when taken out of the context in which it was intended to be used.

The accountant should restrict the use of a report when the subject matter of the accountant's report or the presentation being reported on is based on measurement or disclosure criteria contained in contractual agreements or regulatory provisions that are not in conformity with an applicable financial reporting framework.

**Reporting on Subject Matter or Presentations Based on Measurement or Disclosure Criteria Contained in Contractual Agreements or Regulatory Provisions**

When reports are issued on subject matter or presentations based on measurement or disclosure criteria contained in contractual agreements or regulatory provisions that are not in conformity with an applicable financial reporting framework, the accountant should restrict the report because the basis, assumptions, or purpose of such presentations (contained in such agreements or regulatory provisions) are developed for, and directed only to, the parties to the agreement or regulatory agency responsible for the provisions and because the report, subject matter, or presentation may be misunderstood by those who are not adequately informed of the basis, assumptions, or purpose of the presentation.

**Combined Reports Covering Both Restricted Use and General Use Subject Matter or Presentations**

If the accountant issues a single combined report covering both (a) subject matter or presentations that require a restriction on use to specified parties and (b) subject matter or presentations that ordinarily do not require such a restriction, the use of such a single combined report should be restricted to the specified parties.

**Inclusion of a Separate Restricted Use Report in the Same Document With a General-Use Report**

When required by law or regulation, a separate restricted use report may be included in a document that also contains a general use report. The

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8 A *contractual agreement*, as discussed in this section, is an agreement between the client and one or more third parties other than the accountant.
inclusion of a separate restricted-use report in a document that contains a general use report does not affect the intended use of either report. The restricted use report remains restricted regarding use, and the general use report continues for general use.

**Adding Other Specified Parties**

.43 Subsequent to the completion of an engagement resulting in a restricted use report or in the course of such an engagement, the accountant may be asked to consider adding other parties as specified parties.

.44 If the accountant is reporting on subject matter or a presentation based on measurement or disclosure criteria contained in contractual agreements or regulatory provisions, as described in paragraph .40, the accountant may agree to add other parties as specified parties based on the accountant's consideration of factors such as the identity of the other parties, their knowledge of the basis of the measurement or disclosure criteria, and the intended use of the report. If the accountant agrees to add other parties as specified parties, the accountant should obtain affirmative acknowledgment, preferably in writing, from the other parties of their understanding of the nature of the engagement, the measurement or disclosure criteria used in the engagement, and the related report. If the other parties are added after the accountant has issued his or her report, the report may be reissued, or the accountant may provide other written acknowledgment that the other parties have been added as specified parties. If the report is reissued, the report date should not be changed. If the accountant provides written acknowledgment that the other parties have been added as specified parties, such written acknowledgment ordinarily should state that no procedures have been performed subsequent to the date of the report.

**Limiting the Distribution of Reports**

.45 Because of the reasons presented in paragraph .38, the accountant should consider informing his or her client that restricted use reports are not intended for distribution to nonspecified parties, regardless of whether they are included in a document containing a separate general use report. This section does not preclude the accountant, in connection with establishing the terms of the engagement, from reaching an understanding with the client that the intended use of the report will be restricted, and from obtaining the client's agreement that the client and the specified parties will not distribute the report to parties other than those identified in the report. However, the accountant is not responsible for controlling a client's distribution of restricted use reports. Accordingly, a restricted use report should alert readers to the restriction on the use of the report by indicating that the report is not intended to be and should not be used by anyone other than the specified parties.

**Report Language—Restricted Use**

.46 An accountant's report that is restricted should contain a separate paragraph at the end of the report that includes the following elements:

  a. A statement indicating that the report is intended solely for the information and use of the specified parties.

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9 In some cases, restricted use reports filed with regulatory agencies are required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency as part of its oversight responsibility for an entity may require access to restricted use reports in which they are not named as a specified party.
b. An identification of the specified parties to whom use is restricted. The report may list the specified parties or refer the reader to the specified parties listed elsewhere in the report.

c. A statement that the report is not intended to be and should not be used by anyone other than the specified parties.

**An Entity’s Ability to Continue as a Going Concern**

.47 During the performance of review procedures, evidence or information may come to the accountant’s attention indicating that there may be an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being reviewed (hereinafter referred to as a reasonable period of time). In those circumstances, the accountant should request that management consider the possible effects of the going concern uncertainty on the financial statements, including the need for related disclosure.

.48 After management communicates to the accountant the results of its consideration of the possible effects on the financial statements, the accountant should consider the reasonableness of management’s conclusions, including the adequacy of the related disclosures, if applicable.

.49 If the accountant determines that management’s conclusions are unreasonable or the disclosure of the uncertainty regarding the entity's ability to continue as a going concern is not adequate, he or she should follow the guidance in paragraphs .34–.36 with respect to departures from the applicable financial reporting framework.

.50 The accountant may emphasize an uncertainty about an entity's ability to continue as a going concern, provided that the uncertainty is disclosed in the financial statements. In such circumstances, the accountant should follow the guidance in paragraph .33.

**Subsequent Events**

.51 Evidence or information that a subsequent event that has a material effect on the reviewed financial statements has occurred may come to the accountant’s attention in the following ways:

a. During the performance of review procedures

b. Subsequent to the date of the accountant's review report but prior to the release of the report

In either case, the accountant should request that management consider the possible effects on the financial statements, including the adequacy of any related disclosure, if applicable.

.52 If the accountant determines that the subsequent event is not adequately accounted for in the financial statements or disclosed in the notes, he or she should follow the guidance in paragraphs .34–.36.

.53 Occasionally, a subsequent event has such a material impact on the entity that the accountant may wish to include in his or her review report an explanatory paragraph directing the reader's attention to the event and its effects. Such an emphasis of matter paragraph may be added at the accountant's discretion, provided that the matter is disclosed in the financial statements. See paragraph .33 for additional guidance with respect to emphasis of matter paragraphs.
Subsequent Discovery of Facts Existing at the Date of the Report

.54 Subsequent to the date of the report on the financial statements that the accountant has reviewed, he or she may become aware that facts may have existed at that date that might have caused him or her to believe that information supplied by the entity was incorrect, incomplete, or otherwise unsatisfactory had the accountant then been aware of such facts. Because of the variety of conditions that might be encountered, some of the procedures contained in this section are necessarily set out only in general terms; the specific actions to be taken in a particular case may vary with the circumstances. The accountant would be well advised to consult with his or her legal counsel when he or she encounters the circumstances to which this section may apply because of legal implications that may be involved in actions contemplated herein.

.55 After the date of the accountant’s review report, the accountant has no obligation to perform other review procedures with respect to the financial statements unless new information comes to his or her attention. However, when the accountant becomes aware of information that relates to financial statements previously reported on by him or her but that was not known to the accountant at the date of the report (and that is of such a nature and from such a source that the accountant would have investigated it had it come to his or her attention during the course of the review), the accountant should, as soon as practicable, undertake to determine whether the information is reliable and whether the facts existed at the date of the report. The accountant should discuss the matter with his or her client at whatever management levels the accountant deems appropriate and request cooperation in whatever investigation may be necessary. In addition to management, the accountant may deem it appropriate to discuss the matter with those charged with governance. If the nature and effect of the matter are such that (a) the accountant’s report or the financial statements would have been affected if the information had been known to the accountant at the accountant’s review report date and had not been reflected in the financial statements and (b) the accountant believes that persons currently using or likely to use the financial statements exist who would attach importance to the information, the accountant should perform the additional procedures deemed necessary to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework. Consideration should be given to, among other things, the time elapsed since the financial statements were issued.

.56 When the accountant has concluded that action should be taken to prevent further use of the accountant’s report or the financial statements, the accountant should advise his or her client to make appropriate disclosure of the newly discovered facts and their impact on the financial statements to persons who are known to be currently using or who are likely to use the financial statements. When the client undertakes to make appropriate disclosure, the method used and the disclosure made will depend on the circumstances. For example

a. if the effect of the subsequently discovered information on the accountant’s report or the financial statements can promptly be determined, disclosure should consist of issuing, as soon as practicable, revised financial statements and, when applicable, the accountant’s report. The reasons for the revision usually should be described in a note to the financial statements and, when applicable, referred to in the accountant’s report. Generally, only the
most recently issued reviewed financial statements would need to be revised, even though the revision resulted from events that had occurred in prior years.

b. when issuance of financial statements for a subsequent period is imminent, so that disclosure is not delayed, appropriate disclosure of the revision can be made in such statements instead of reissuing the earlier statements, pursuant to subparagraph (a).

c. when the effect on the financial statements of the subsequently discovered information cannot be promptly determined, the issuance of revised financial statements would necessarily be delayed. In this circumstance, when it appears that the information will require a revision of the statements, appropriate disclosure would consist of notification by the client to persons who are known to be using or who are likely to use the financial statements that the statements should not be used; that revised financial statements will be issued; and, when applicable, that the accountant’s report will be issued as soon as practicable.

.57 The accountant should take whatever steps he or she deems necessary to satisfy himself or herself that the client has made the disclosures specified in paragraph .56.

.58 If the client refuses to make the disclosures specified in paragraph .56, the accountant should notify the appropriate personnel at the highest levels within the entity, such as the manager (owner) or those charged with governance, of such refusal and of the fact that, in the absence of disclosure by the client, the accountant will take steps as outlined here to prevent further use of the financial statements and the accountant’s report. The steps that can appropriately be taken will depend upon the degree of certainty of the accountant’s knowledge that persons exist who are currently using or who will use the financial statements and the accountant’s report and who would attach importance to the information. The steps that can be taken also will depend on the accountant’s ability as a practical matter to communicate with these persons. Unless the accountant’s attorney recommends a different course of action, the accountant should take the following steps to the extent applicable:

a. Notification to the client that the accountant’s report must no longer be associated with the financial statements.

b. Notification to the regulatory agencies having jurisdiction over the client that the accountant’s report should no longer be used.

c. Notification to each person known to the accountant to be using the financial statements that the financial statements and the accountant’s report should no longer be used. In many instances, it will not be practicable for the accountant to give appropriate individual notification to stakeholders whose identities ordinarily are unknown to him or her; notification to a regulatory agency having jurisdiction over the client will usually be the only practicable way for the accountant to provide appropriate disclosure. Such notification should be accompanied by a request that the agency take whatever steps it may deem appropriate to accomplish the necessary disclosure.

.59 The following guidelines should govern the content of any disclosure made by the accountant, in accordance with paragraph .58, to persons other than his or her client:

a. The disclosure should include a description of the nature of the subsequently acquired information and its effect on the financial statements.
b. The information disclosed should be as precise and factual as possible and should not go beyond that which is reasonably necessary to accomplish the purpose mentioned in the preceding subparagraph (a). Comments concerning the conduct or motives of any person should be avoided.

If the client has not cooperated, the accountant’s disclosure need not detail the specific information but can merely indicate that the client has not cooperated with the accountant’s attempt to substantiate information that has come to the accountant’s attention and that, if the information is true, the accountant believes that the review report must no longer be used or associated with the financial statements. No such disclosure should be made unless the accountant believes that the financial statements are likely to be misleading and that the accountant’s review report should not be used.

**Supplementary Information**

.60 When the basic financial statements are accompanied by information presented for supplementary analysis purposes, the accountant should clearly indicate the degree of responsibility, if any, he or she is taking with respect to such information.

When the accountant has reviewed the basic financial statements, an explanation should be included in the review report or in a separate report on the other data. The report should state that the review has been made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with the applicable financial reporting framework and that either

- the other data accompanying the financial statements are presented only for purposes of additional analysis and have been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and the accountant did not become aware of any material modifications that should be made to such data, or

- the other data accompanying the financial statements are presented only for purposes of additional analysis and have not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements but were compiled from information that is the representation of management, without audit or review, and the accountant does not express an opinion or provide any assurance on such data.

**Communicating to Management and Others**

.61 When evidence or information comes to the accountant’s attention during the performance of review procedures that fraud or an illegal act may have occurred, that matter should be brought to the attention of the appropriate level of management. The accountant need not report matters regarding illegal acts that are clearly inconsequential and may reach agreement in advance with the entity on the nature of such items to be communicated. When matters regarding fraud or an illegal act involve senior management, the accountant should report the matter to an individual or group at a higher level within the entity, such as the manager (owner) or those charged with governance. The communication may be oral or written. If the communication is oral, the accountant should document it. When matters regarding fraud or an illegal act involve an owner of the business, the accountant should consider resigning from the
engagement. Additionally, the accountant should consider consulting with his or her legal counsel whenever any evidence or information comes to his or her attention during the performance of review procedures that fraud or an illegal act may have occurred, unless such illegal act is clearly inconsequential.

.62 The disclosure of any evidence or information that comes to the accountant's attention during the performance of review procedures that fraud or an illegal act may have occurred to parties other than the client's senior management (or those charged with governance, if applicable) ordinarily is not part of the accountant's responsibility and, ordinarily, would be precluded by the accountant's ethical or legal obligations of confidentiality. The accountant should recognize, however, that in the following circumstances, a duty to disclose to parties outside of the entity may exist:

a. To comply with certain legal and regulatory requirements
b. To a successor accountant when the successor decides to communicate with the predecessor accountant, in accordance with section 400, Communications Between Predecessor and Successor Accountants, regarding acceptance of an engagement to compile or review the financial statements of a nonissuer
c. In response to a subpoena

Because potential conflicts between the accountant's ethical and legal obligations for confidentiality of client matters may be complex, the accountant may wish to consult with legal counsel before discussing matters covered by paragraph .61 with parties outside the client.

Change in Engagement From Audit to Review

.63 The accountant who has been engaged to audit the financial statements of a nonissuer in accordance with auditing standards generally accepted in the United States of America may, before the completion of the audit, be requested to change the engagement to a review of financial statements. A request to change the engagement may result from a change in circumstances affecting the entity's requirement for an audit, a misunderstanding regarding the nature of an audit or review, or a restriction.

.64 Before the accountant, who was engaged to perform an audit in accordance with auditing standards generally accepted in the United States of America, agrees to change the engagement to a review, at least the following should be considered:

a. The reason given for the client's request, particularly the implications of a restriction on the scope of the audit, whether imposed by the client or by circumstances
b. The additional audit effort required to complete the audit
c. The estimated additional cost to complete the audit

.65 A change in circumstances that affects the entity's requirement for an audit, or a misunderstanding concerning the nature of an audit or review would ordinarily be considered a reasonable basis for requesting a change in the engagement.

.66 In considering the implications of a restriction on the scope of the audit, the accountant should evaluate the possibility that information affected by the scope restriction may be incorrect, incomplete, or otherwise unsatisfactory. Nevertheless, when the accountant has been engaged to audit an entity's financial statements and has been prohibited by the client from corresponding with
the entity's legal counsel, the accountant ordinarily would be precluded from issuing a review report on the financial statements.

.67 In all circumstances, if the audit procedures are substantially complete or the cost to complete such procedures is relatively insignificant, the accountant should consider the propriety of accepting a change in the engagement.

.68 If the accountant concludes, based upon his or her professional judgment, that there is reasonable justification to change the engagement and if he or she complies with the standards applicable to a review engagement, the accountant should issue an appropriate review report. The report should not include reference to (a) the original engagement, (b) any audit procedures that may have been performed, or (c) scope limitations that resulted in the changed engagement.

Effective Date

.69 This section is effective for reviews of financial statements for periods ending on or after December 15, 2010.
Review Exhibit A—Illustrative Engagement Letter

[Appropriate Salutation]

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

We will perform the following services:

We will review the financial statements of XYZ Company as of and for the year ended December 31, 20XX, and issue an accountant's report thereon in accordance with Statements on Standards for Accounting and Review Services (SSARSs) issued by the American Institute of Certified Public Accountants (AICPA).

The objective of a review is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)].

You are responsible for

a. the preparation and fair presentation of the financial statements in accordance with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)].

b. designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

c. preventing and detecting fraud.

d. identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.

e. making all financial records and related information available to us.

f. providing us, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.

We are responsible for conducting the engagement in accordance with SSARSs issued by the AICPA.

A review includes primarily applying analytical procedures to your financial data and making inquiries of company management. A review is substantially less in scope that an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, we will not express an opinion regarding the financial statements as a whole.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our review procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our
attention during the performance of our review procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential.
If, for any reason, we are unable to complete the review of your financial statements, we will not issue a report on such statements as a result of this engagement.
Our fees for these services...
We will be pleased to discuss this letter with you at any time. If the foregoing is in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.
Sincerely yours,

__________________________________
[Signature of accountant]

Acknowledged:
XYZ Company

_______________________
President

_______________________
Date
Review Exhibit B—Illustrative Representation Letter

The following representation letter is included for illustrative purposes only. The accountant may decide, based on the circumstances of the review engagement or the industry in which the entity operates, that other matters should be specifically included in the letter or that some of the representations included in the illustrative letter are not necessary.

[Date]¹

To [the Accountant]

We are providing this letter in connection with your review of the [identification of financial statements] of [name of entity] as of [dates (for example, December 31, 20X1, and December 31, 20X2)] and for the [periods of review (for example, for the years then ended)] for the purpose of obtaining limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)]. We confirm that we are responsible for the fair presentation of the financial statements in accordance with [the applicable financial reporting framework] and the selection and application of the accounting policies.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person using the information would be changed or influenced by the omission or misstatement.²

We confirm, to the best of our knowledge and belief, (as of [the date of the accountant’s review report]) the following representations made to you during your review:

1. The financial statements referred to previously are fairly presented in accordance with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)].

2. We have made the following available to you
   a. financial records and related data.
   b. minutes of the meetings of stockholders, directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. No material transactions exist that have not been properly recorded in the accounting records underlying the financial statements.

4. We acknowledge our responsibility for the preparation and fair presentation of the financial statements in accordance with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)].

¹ This date should be the date that the client presents and signs the letter. In no event should the letter be presented and signed prior to the date of the accountant’s review report.

² The qualitative discussion of materiality used in this letter is adapted from Financial Accounting Standards Board Statement of Financial Accounting Concepts No. 2, Qualitative Characteristics of Accounting Information.
5. We acknowledge our responsibility for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

6. We acknowledge our responsibility to prevent and detect fraud.

7. We have no knowledge of any fraud or suspected fraud affecting the entity involving management or others where the fraud could have a material effect on the financial statements, including any communications received from employees, former employees, or others.

8. We have no plans or intentions that may materially affect the carrying amounts or classification of assets and liabilities.

9. No material losses exist (such as from obsolete inventory or purchase or sales commitments) that have not been properly accrued or disclosed in the financial statements.

10. None of the following exist:
   a. Violations or possible violations of laws or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency
   b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion that must be disclosed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, Contingencies.\(^3\)
   c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB ASC 450.

11. The company has satisfactory title to all owned assets, and no liens or encumbrances on such assets exist, nor has any asset been pledged as collateral, except as disclosed to you and reported in the financial statements.

12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

13. The following have been properly recorded or disclosed in the financial statements:
   a. Related party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
   b. Guarantees, whether written or oral, under which the company is contingently liable.
   c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with FASB ASC 275, Risks and Uncertainties. [Significant estimates are estimates at the balance sheet date\(^3\)]

\(^3\) If management has not consulted a lawyer regarding litigation, claims, and assessments, the representation might be worded as follows:

We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with Financial Accounting Standards Board Accounting Standards Codification 450, Contingencies, and we have not consulted a lawyer concerning litigation, claims, or assessments.
that could change materially with the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

[Add additional representations that are unique to the entity's business or industry. See the following for additional illustrative representations.]

14. We are in agreement with the adjusting journal entries you have recommended, and they have been posted to the company's accounts (if applicable).

15. To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.4

16. We have responded fully and truthfully to all inquiries made to us by you during your review.

[Name of Owner or Chief Executive Officer and Title]

[Name of Chief Financial Officer and Title, where applicable]

Representation letters ordinarily should be tailored to include additional appropriate representations from management relating to matters specific to the entity's business or industry. The following is a list of additional representations that may be appropriate in certain situations. This list is not intended to be all-inclusive. The accountant should consider the effects of pronouncements issued subsequent to the issuance of this section.

4 If the accountant dual dates his or her report, the accountant should consider whether obtaining additional representations relating to the subsequent event is appropriate.
### General

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>The effect of a new accounting principle is not known.</td>
<td>We have not completed the process of evaluating the impact that will result from adopting Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) [XXX,Title], as discussed in note [X]. The company is therefore unable to disclose the impact that adopting FASB ASC XXX will have on its financial position and the results of operations when such statement is adopted.</td>
</tr>
<tr>
<td>Justification exists for a change in accounting principles.</td>
<td>We believe that [describe the newly adopted accounting principle] is preferable to [describe the former accounting principle] because [describe management's justification for the change in accounting principles].</td>
</tr>
<tr>
<td>Financial circumstances are strained, with disclosure of management's intentions and the entity's ability to continue as a going concern.</td>
<td>Note [X] to the financial statements discloses all of the matters of which we are aware that are relevant to the company's ability to continue as a going concern, including significant conditions and events, and management's plans.</td>
</tr>
<tr>
<td>The possibility exists that the value of specific significant long lived assets or certain identifiable intangibles may be impaired.</td>
<td>We have reviewed long lived assets and certain identifiable intangibles to be held and used for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable and have appropriately recorded the adjustment.</td>
</tr>
<tr>
<td>The entity has a variable interest in another entity.</td>
<td>Variable interest entities (VIEs) and potential VIEs and transactions with VIEs and potential VIEs have been properly recorded and disclosed in the financial statements in accordance with accounting principles generally accepted in the United States of America. We have considered both implicit and explicit variable interests in (a) determining whether potential VIEs should be considered VIEs, (b) calculating expected losses and residual returns, and (c) determining which party, if any, is the primary beneficiary. We have provided you with lists of all identified variable interests in (a) VIEs, (b) potential VIEs that we considered but judged not to be VIEs, and (c) entities that were afforded the scope exceptions of FASB ASC 810, Consolidation.</td>
</tr>
</tbody>
</table>
We have advised you of all transactions with identified VIEs, potential VIEs, or entities afforded the scope exceptions of FASB ASC 810.

We have made available all relevant information about financial interests and contractual arrangements with related parties, de facto agents, and other entities, including but not limited to, their governing documents, equity and debt instruments, contracts, leases, guarantee arrangements, and other financial contracts and arrangements.

The information we provided about financial interests and contractual arrangements with related parties, de facto agents, and other entities includes information about all transactions, unwritten understandings, agreement modifications, and written and oral side agreements.

Our computations of expected losses and expected residual returns of entities that are VIEs and potential VIEs are based on the best information available and include all reasonably possible outcomes.

Regarding entities in which the company has variable interests (implicit and explicit), we have provided all information about events and changes in circumstances that could potentially cause reconsideration about whether the entities are VIEs or whether the company is the primary beneficiary or has a significant variable interest in the entity.

We have made and continue to make exhaustive efforts to obtain information about entities in which the company has an implicit or explicit interest, but that were excluded from complete analysis under FASB ASC 810 due to lack of essential information to determine one or more of the following:

- Whether the entity is a VIE
- Whether the company is the primary beneficiary
- The accounting required to consolidate the entity

The work of a specialist has been used by the entity.

We agree with the findings of specialists in evaluating the [describe assertion] and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
### Assets

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash</strong></td>
<td>Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements.</td>
</tr>
<tr>
<td><strong>Financial Instruments</strong></td>
<td>Debt securities that have been classified as held-to-maturity have been so classified due to the company's intent to hold such securities to maturity and the company's ability to do so. All other debt securities have been classified as available-for-sale or trading. We consider the decline in value of debt or equity securities classified as either available-for-sale or held-to-maturity to be temporary.</td>
</tr>
<tr>
<td>Management intends to and has the ability to hold to maturity debt securities classified as held-to-maturity. Management considers the decline in value of debt or equity securities to be temporary. Management has determined the fair value of significant financial instruments that do not have readily determinable market values. Financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk exist. The methods and significant assumptions used to determine fair values of financial instruments are as follows: [describe methods and significant assumptions used to determine fair values of financial instruments]. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes. The following information about financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk has been properly disclosed in the financial statements:</td>
<td></td>
</tr>
<tr>
<td>1. The extent, nature, and terms of financial instruments with off-balance-sheet risk</td>
<td></td>
</tr>
<tr>
<td>2. The amount of credit risk of financial instruments with off-balance-sheet risk and information about the collateral supporting such financial instruments</td>
<td></td>
</tr>
<tr>
<td>3. Significant concentrations of credit risk arising from all financial instruments and information about the collateral supporting such financial instruments</td>
<td></td>
</tr>
</tbody>
</table>
Assets

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables</td>
<td>Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value. Provision has been made to reduce excess or obsolete inventories to their estimated net realizable value.</td>
</tr>
<tr>
<td>Inventories</td>
<td>Excess or obsolete inventories exist.</td>
</tr>
<tr>
<td>Investments</td>
<td>Unusual considerations are involved in determining the application of equity accounting.</td>
</tr>
<tr>
<td>Deferred Charges</td>
<td>We believe that all material expenditures that have been deferred to future periods will be recoverable.</td>
</tr>
<tr>
<td>Deferred Tax Assets</td>
<td>The valuation allowance has been determined pursuant to the provisions of FASB ASC 740, Income Taxes, including the company's estimation of future taxable income, if necessary, and is adequate to reduce the total deferred tax asset to an amount that will more likely than not be realized. [Complete with appropriate wording detailing how the entity determined the valuation allowance against the deferred tax asset.]</td>
</tr>
</tbody>
</table>

For investments in common stock that are either nonmarketable or of which the entity has a 20 percent or greater ownership interest, select the appropriate representation from the following:

- The equity method is used to account for the company's investment in the common stock of [investee] because the company has the ability to exercise significant influence over the investee's operating and financial policies.
- The cost method is used to account for the company's investment in the common stock of [investee] because the company does not have the ability to exercise significant influence over the investee's operating and financial policies.

A deferred tax asset exists at the balance sheet date.

(continued)
Liabilities

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Debt</strong></td>
<td>The company has excluded short-term obligations totaling $[amount] from current liabilities because it intends to refinance the obligations on a long-term basis. [Complete with appropriate wording detailing how amounts will be refinanced as follows:]</td>
</tr>
<tr>
<td></td>
<td>• The company has issued a long term obligation [debt security] after the date of the balance sheet but prior to the issuance of the financial statements for the purpose of refinancing the short-term obligations on a long term basis.</td>
</tr>
<tr>
<td></td>
<td>• The company has the ability to consummate the refinancing, by using the financing agreement referred to in note [X] to the financial statements.</td>
</tr>
<tr>
<td>Tax-exempt bonds have been issued.</td>
<td>Tax-exempt bonds issued have retained their tax-exempt status.</td>
</tr>
<tr>
<td>Taxes</td>
<td>We intend to reinvest the undistributed earnings of [name of foreign subsidiary].</td>
</tr>
<tr>
<td><strong>Contingencies</strong></td>
<td>Provision has been made for any material loss that is probable from environmental remediation liabilities associated with [name of site]. We believe that such estimate is reasonable based on available information and that the liabilities and related loss contingencies and the expected outcome of uncertainties have been adequately described in the company's financial statements.</td>
</tr>
<tr>
<td></td>
<td>Agreements to repurchase assets previously sold have been properly disclosed.</td>
</tr>
<tr>
<td><strong>Pension and Postretirement Benefits</strong></td>
<td>We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.</td>
</tr>
</tbody>
</table>
## Liabilities

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Examples</th>
</tr>
</thead>
</table>
| Involvement with a multiemployer plan exists. | We are unable to determine the possibility of a withdrawal liability in a multiemployer benefit plan.  
or  
We have determined that there is the possibility of a withdrawal liability in a multiemployer plan in the amount of \$[XX]. |
| Postretirement benefits have been eliminated. | We do not intend to compensate for the elimination of postretirement benefits by granting an increase in pension benefits.  
or  
We plan to compensate for the elimination of postretirement benefits by granting an increase in pension benefits in the amount of \$[XX]. |
| Employee layoffs that would otherwise lead to a curtailment of a benefit plan are intended to be temporary. | Current employee layoffs are intended to be temporary. |
| Management intends to either continue to make or not make frequent amendments to its pension or other postretirement benefit plans, which may affect the amortization period of prior service cost, or has expressed a substantive commitment to increase benefit obligations. | We plan to continue to make frequent amendments to its pension or other postretirement benefit plans, which may affect the amortization period of prior service cost.  
or  
We do not plan to make frequent amendments to its pension or other postretirement benefit plans. |

## Equity

<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements exist.</td>
<td>Capital stock repurchase options or agreements or capital stock reserved for options, warrants, conversions, or other requirements have been properly disclosed.</td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>Condition</th>
<th>Illustrative Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>There may be a loss from sales commitments.</td>
<td>Provisions have been made for losses to be sustained in the fulfillment of or from inability to fulfill any sales commitments.</td>
</tr>
<tr>
<td>There may be losses from purchase commitments.</td>
<td>Provisions have been made for losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.</td>
</tr>
<tr>
<td>Nature of the product or industry indicates the possibility of undisclosed sales terms.</td>
<td>We have fully disclosed to you all sales terms, including all rights of return or price adjustments and all warranty provisions.</td>
</tr>
</tbody>
</table>
Review Exhibit C—Illustrative Updating Management Representation Letter

The following letter is presented for illustrative purposes only. It may be used in the circumstances described in paragraph .23. Management need not repeat all of the representations made in the previous representation letter.

If matters exist that should be disclosed to the accountant, they may be indicated by listing them following the representation. For example, if an event subsequent to the date of the accountant's review report is disclosed in the financial statements, the final paragraph could be modified as follows: "To the best of our knowledge and belief, except as discussed in note X to the financial statements, no events have occurred..."

[Date] ¹

To [Accountant]

In connection with your review(s) of the [identification of financial statements] of [name of entity] as of [dates] and for the [periods of review] for the purpose of obtaining limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with [the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America)], you were previously provided with a representation letter under date of [date of previous representation letter]. No information has come to our attention that would cause us to believe that any of those previous representations should be modified.

To the best of our knowledge and belief, no events have occurred subsequent to [date of latest balance sheet reported on by the accountant or date of previous representation letter] and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

________________________________
[Name of Owner or Chief Executive Officer and Title]

________________________________
[Name of Chief Financial Officer and Title, when applicable]

¹ The accountant has two methods available for dating the report when a subsequent event requiring disclosure occurs after the completion of the review but before issuance of the report on the related financial statements. The accountant may use dual dating (for example, "February 16, 20XX, except for note Y, as to which the date is March 1, 20XX,") or may date the report as of the later date.
Review Exhibit D—Illustrative Review Reports

Standard accountant’s review report on financial statements prepared in accordance with accounting principles generally accepted in the United States of America

Independent Accountant’s Review Report

[Appropriate Salutation]

I (We) have reviewed the accompanying balance sheet of XYZ Company as of December 31, 20XX, and the related statements of income, retained earnings, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management’s (owners’) financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My (our) responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me (us) to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I (We) believe that the results of my (our) procedures provide a reasonable basis for our report.

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

[Signature of accounting firm or accountant, as appropriate]

[Date]

Standard accountant’s review report on financial statements prepared in accordance with the income tax basis of accounting

Independent Accountant’s Review Report

[Appropriate Salutation]

I (We) have reviewed the accompanying statement of assets, liabilities, and equity—income tax basis of XYZ Company as of December 31, 20XX, and the related statement of revenue and expenses—income tax basis for the year then ended. A review includes primarily applying analytical procedures to management’s (owners’) financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis for accounting and for designing, implementing, and maintaining
internal control relevant to the preparation and fair presentation of the financial statements.

My (our) responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me (us) to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I (We) believe that the results of my (our) procedures provides a reasonable basis for our report.

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the income tax basis of accounting, as described in note X.

[Signature of accounting firm or accountant, as appropriate]

[Date]

Accountant's review report disclosing a departure from accounting principles generally accepted in the United States of America

Independent Accountant’s Review Report

I (We) have reviewed the accompanying balance sheet of XYZ Company as of December 31, 20XX, and the related statements of income, retained earnings, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management’s (owners’) financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.

Management (owners) is (are) responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My (our) responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me (us) to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I (We) believe that the results of my (our) procedures provide a reasonable basis for our report.

Based on my (our) review, with the exception of the matter(s) described in the following paragraph(s), I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

As disclosed in note X to the financial statements, accounting principles generally accepted in the United States of America require that inventory cost consist of material, labor, and overhead. Management has informed (me) us that the inventory of finished goods and work in process is stated in the accompanying financial statements at material and labor cost only, and that the effects of this departure from accounting principles generally
Statements on Standards for Accounting and Review Services

accepted in the United States of America on financial position, results of operations, and cash flows have not been determined.

or

As disclosed in note X to the financial statements, the company has adopted [description of newly adopted method], whereas it previously used [description of previous method]. Although the [description of newly adopted method] is in conformity with accounting principles generally accepted in the United States of America, the company does not appear to have reasonable justification for making a change as required by Financial Accounting Standards Board Accounting Standards Codification 250, Accounting Changes and Error Corrections.

[Signature of accounting firm or accountant, as appropriate]
[Date]

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AR Section 9090

Review of Financial Statements: Accounting and Review Services Interpretations of Section 90

1. Reporting When There Are Significant Departures From the Applicable Financial Reporting Framework

.01 Question—When the financial statements include significant departures from the applicable financial reporting framework, may the accountant modify his or her standard report in accordance with paragraphs .34–.36 of section 90, Review of Financial Statements, to include a statement that the financial statements are not in conformity with the applicable financial reporting framework?

.02 Interpretation—No. Including such a statement in the accountant's review report would be tantamount to expressing an adverse opinion on the financial statements as a whole. Such an opinion can be expressed only in the context of an audit engagement. Furthermore, such a statement in a review report would confuse users because it would contradict the results of engagement as required by paragraph .28(f) of section 90.

.03 However, paragraph .33 of section 90 states that an accountant may emphasize, in any report on financial statements, a matter disclosed in the financial statements. The accountant may wish, therefore, to emphasize the limitations of the financial statements in a separate paragraph of his or her review report, depending on his or her assessment of the possible dollar magnitude of the effects of the departures, the significance of the affected items to the entity, the pervasiveness and overall impact of the misstatements, and whether disclosure has been made of the effects of the departures. Such separate paragraph, which would follow the other modifications of his or her report (see illustrations in Review Exhibit D, "Illustrative Review Reports"), might read as follows (the illustration assumes that the accountant is reporting on financial statements in which there are significant departures from accounting principles generally accepted in the United States of America):

Because the significance and pervasiveness of the matters previously discussed makes it difficult to assess their impact on the financial statements as a whole, users of these financial statements should recognize that they might reach different conclusions about the company's financial position, results of operations, and cash flows if they had access to revised financial statements prepared in conformity with accounting principles generally accepted in the United States of America.

.04 Inclusion of such a separate paragraph in the accountant's review report is not a substitute for disclosure of the specific departures or the effects of such departures when they have been determined by management or are known as a result of the accountant's procedures.

[Issue Date: August 1981; Revised: November 2002; Revised: May 2004; Revised: July 2005; Revised: December 2010 to conform to SSARS No. 19 (formerly Interpretation No. 7 to section 100).]
AT Section 101

Attest Engagements

Source: SSAE No. 10; SSAE No. 11; SSAE No. 12; SSAE No. 14.

See section 9101 for interpretations of this section.

Effective when the subject matter or assertion is as of or for a period ending on or after June 1, 2001, unless otherwise indicated.

Applicability

.01 This section applies to engagements, except for those services discussed in paragraph .04, in which a certified public accountant in the practice of public accounting¹ (hereinafter referred to as a practitioner) is engaged to issue or does issue an examination, a review, or an agreed-upon procedures report on subject matter, or an assertion about the subject matter (hereafter referred to as the assertion), that is the responsibility of another party.²

.02 This section establishes a framework for attest³ engagements performed by practitioners and for the ongoing development of related standards. For certain subject matter, specific attestation standards have been developed to provide additional requirements for engagement performance and reporting.

.03 When a practitioner undertakes an attest engagement for the benefit of a government body or agency and agrees to follow specified government standards, guides, procedures, statutes, rules, and regulations, the practitioner is obliged to follow those governmental requirements as well as the applicable attestation standards.

.04 Professional services provided by practitioners that are not covered by this SSAE include the following:

a. Services performed in accordance with Statements on Auditing Standards (SASs)
b. Services performed in accordance with Statements on Standards for Accounting and Review Services (SSARSs)
c. Services performed in accordance with the Statement on Standards for Consulting Services (SSCS), such as engagements in which the practitioner's role is solely to assist the client (for example, acting as the company accountant in preparing information other than financial statements), or engagements in which a practitioner is engaged to testify as an expert witness in accounting, auditing, taxation, or other matters, given certain stipulated facts

¹ For a definition of the term practice of public accounting, see ET section 92, Definitions, paragraph .29.

² See paragraph .02 of section 301, Financial Forecasts and Projections, for additional guidance on applicability when engaged to provide an attest service on a financial forecast or projection.

³ The term attest and its variants, such as attesting and attestation, are used in a number of state accountancy laws, and in regulations issued by state boards of accountancy under such laws, for different purposes and with different meanings from those intended by this section. Consequently, the definition of attest engagements set out in paragraph .01, and the attendant meaning of attest and attestation as used throughout the section, should not be understood as defining these terms and similar terms, as they are used in any law or regulation, nor as embodying a common understanding of the terms which may also be reflected in such laws or regulations.
Statements on Standards for Attestation Engagements

\[d\] Engagements in which the practitioner is engaged to advocate a client's position—for example, tax matters being reviewed by the Internal Revenue Service

e. Tax engagements in which a practitioner is engaged to prepare tax returns or provide tax advice

.05 An attest engagement may be part of a larger engagement, for example, a feasibility study or business acquisition study may also include an examination of prospective financial information. In such circumstances, these standards apply only to the attest portion of the engagement.

.06 Any professional service resulting in the expression of assurance must be performed under AICPA professional standards that provide for the expression of such assurance. Reports issued by a practitioner in connection with other professional standards should be written to be clearly distinguishable from and not to be confused with attest reports. For example, a practitioner performing an engagement which is intended solely to assist an organization in improving its controls over the privacy of client data should not issue a report as a result of that engagement expressing assurance as to the effectiveness of such controls. Additionally, a report that merely excludes the words, "...was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants..." but is otherwise similar to an examination, a review or an agreed-upon procedures attest report may be inferred to be an attest report.

Definitions and Underlying Concepts

Subject Matter

.07 The subject matter of an attest engagement may take many forms, including the following:

a. Historical or prospective performance or condition (for example, historical or prospective financial information, performance measurements, and backlog data)

b. Physical characteristics (for example, narrative descriptions, square footage of facilities)

c. Historical events (for example, the price of a market basket of goods on a certain date)

d. Analyses (for example, break-even analyses)

e. Systems and processes (for example, internal control)

f. Behavior (for example, corporate governance, compliance with laws and regulations, and human resource practices)

The subject matter may be as of a point in time or for a period of time.

Assertion

.08 An assertion is any declaration or set of declarations about whether the subject matter is based on or in conformity with the criteria selected.

.09 A practitioner may report on a written assertion or may report directly on the subject matter. In either case, the practitioner should ordinarily obtain a written assertion in an examination or a review engagement. A written assertion may be presented to a practitioner in a number of ways, such as in a narrative description, within a schedule, or as part of a representation letter appropriately identifying what is being presented and the point in time or period of time covered.
.10 When a written assertion has not been obtained, a practitioner may still report on the subject matter; however, the form of the report will vary depending on the circumstances and its use should be restricted. In this section, see paragraphs .58 and .60 on gathering sufficient evidence and paragraphs .73–.75 and .78–.80 for reporting guidance.

Responsible Party

.11 The responsible party is defined as the person or persons, either as individuals or representatives of the entity, responsible for the subject matter. If the nature of the subject matter is such that no such party exists, a party who has a reasonable basis for making a written assertion about the subject matter may provide such an assertion (hereinafter referred to as the responsible party).

.12 The practitioner may be engaged to gather information to enable the responsible party to evaluate the subject matter in connection with providing a written assertion. Regardless of the procedures performed by the practitioner, the responsible party must accept responsibility for its assertion and the subject matter and must not base its assertion solely on the practitioner's procedures.

.13 Because the practitioner's role in an attest engagement is that of an attester, the practitioner should not take on the role of the responsible party in an attest engagement. Therefore, the need to clearly identify a responsible party is a prerequisite for an attest engagement. A practitioner may accept an engagement to perform an examination, a review or an agreed-upon procedures engagement on subject matter or an assertion related thereto provided that one of the following conditions is met.

a. The party wishing to engage the practitioner is responsible for the subject matter, or has a reasonable basis for providing a written assertion about the subject matter if the nature of the subject matter is such that a responsible party does not otherwise exist.

b. The party wishing to engage the practitioner is not responsible for the subject matter but is able to provide the practitioner, or have a third party who is responsible for the subject matter provide the practitioner, with evidence of the third party's responsibility for the subject matter.

.14 The practitioner should obtain written acknowledgment or other evidence of the responsible party's responsibility for the subject matter, or the written assertion, as it relates to the objective of the engagement. The responsible party can acknowledge that responsibility in a number of ways, for example, in an engagement letter, a representation letter, or the presentation of the subject matter, including the notes thereto, or the written assertion. If the practitioner is not able to directly obtain written acknowledgment, the practitioner should obtain other evidence of the responsible party's responsibility for the subject matter (for example, by reference to legislation, a regulation, or a contract).

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4 When the practitioner is unable to perform the inquiry and analytical or other procedures that he or she considers necessary to achieve the limited assurance contemplated by a review, or when the client is the responsible party and does not provide the practitioner with a written assertion, the review will be incomplete. A review that is incomplete is not an adequate basis for issuing a review report and, accordingly, the practitioner should withdraw from the engagement.

5 See paragraph .112 regarding the practitioner's assistance in developing subject matter or criteria.
Applicability to Agreed-Upon Procedures Engagements

.15 An agreed-upon procedures attest engagement is one in which a practitioner is engaged to issue a report of findings based on specific procedures performed on subject matter. The general, fieldwork, and reporting standards for attest engagements set forth in this section are applicable to agreed-upon procedures engagements. Because the application of these standards to agreed-upon procedures engagements is discussed in section 201, Agreed-Upon Procedures Engagements, such engagements are not discussed further in this section.

The Relationship of Attestation Standards to Quality Control Standards

.16 The practitioner is responsible for compliance with the American Institute of Certified Public Accountants' (AICPA's) Statements on Standards for Attestation Engagements (SSAEs) in an attest engagement. Rule 202, Compliance With Standards, of the Code of Professional Conduct (ET sec. 202 par. .01), requires members to comply with such standards when conducting professional services.

.17 A firm of practitioners has a responsibility to adopt a system of quality control in the conduct of a firm's attest practice. Thus, a firm should establish quality control policies and procedures to provide it with reasonable assurance that its personnel comply with the attestation standards in its attest engagements. The nature and extent of a firm's quality control policies and procedures depend on factors such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations. [As amended, effective September 2002, by SSAE No. 12.]

.18 Attestation standards relate to the conduct of individual attest engagements; quality control standards relate to the conduct of a firm's attest practice as a whole. Thus, attestation standards and quality control standards are related and the quality control policies and procedures that a firm adopts may affect both the conduct of individual attest engagements and the conduct of a firm's attest practice as a whole. However, deficiencies in or instances of noncompliance with a firm's quality control policies and procedures do not, in and of themselves, indicate that a particular engagement was not performed in accordance with attestation standards. [As amended, effective September 2002, by SSAE No. 12.]

General Standards

Training and Proficiency

.19 The first general standard is—The practitioner must have adequate technical training and proficiency to perform the attestation engagement. [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

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6 The elements of a system of quality control are identified in Statement on Quality Control Standards (SQCS) No. 8, A Firm's System of Quality Control (QC sec. 10). A system of quality control consists of policies designed to provide the firm with reasonable assurance that the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and that reports issued by the firm are appropriate in the circumstances, and the procedures necessary to implement and monitor compliance with those policies. [As amended, effective September 2002, by SSAE No. 12. Footnote amended due to the issuance of SQCS No. 7, December 2008.]
Performing attest services is different from preparing and presenting subject matter or an assertion. The latter involves collecting, classifying, summarizing, and communicating information; this usually entails reducing a mass of detailed data to a manageable and understandable form. On the other hand, performing attest services involves gathering evidence to support the subject matter or the assertion and objectively assessing the measurements and communications of the responsible party. Thus, attest services are analytical, critical, investigative, and are concerned with the basis and support for the subject matter or the assertion.

**Adequate Knowledge of Subject Matter**

The second general standard is—*The practitioner must have adequate knowledge of the subject matter.* [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

A practitioner may obtain adequate knowledge of the subject matter through formal or continuing education, including self-study, or through practical experience. However, this standard does not necessarily require a practitioner to personally acquire all of the necessary knowledge in the subject matter to be qualified to express a conclusion. This knowledge requirement may be met, in part, through the use of one or more specialists on a particular attest engagement if the practitioner has sufficient knowledge of the subject matter (a) to communicate to the specialist the objectives of the work and (b) to evaluate the specialist’s work to determine if the objectives were achieved.

**Suitability and Availability of Criteria**

The third general standard is—*The practitioner must have reason to believe that the subject matter is capable of evaluation against criteria that are suitable and available to users.* [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

**Suitability of Criteria**

Criteria are the standards or benchmarks used to measure and present the subject matter and against which the practitioner evaluates the subject matter. Suitable criteria must have each of the following attributes:

- **Objectivity**—Criteria should be free from bias.
- **Measurability**—Criteria should permit reasonably consistent measurements, qualitative or quantitative, of subject matter.
- **Completeness**—Criteria should be sufficiently complete so that those relevant factors that would alter a conclusion about subject matter are not omitted.
- **Relevance**—Criteria should be relevant to the subject matter.

Criteria that are established or developed by groups composed of experts that follow due process procedures, including exposure of the proposed

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* An example of suitable criteria are the Trust Services criteria developed by the AICPA’s Assurance Services Executive Committee. These criteria may be used when the subject matter of the engagement is the security, availability, or processing integrity of a system, or the confidentiality or privacy of the information processed or stored by that system. The Trust Services criteria are presented in TSP sections 100 and 200 of the AICPA’s Technical Practice Aids. [Footnote added by the Assurance Services Executive Committee, January 2003. Footnote revised, May 2006, to reflect conforming changes necessary due to the issuance of Generally Accepted Privacy Principles.]
Statements on Standards for Attestation Engagements

criteria for public comment, ordinarily should be considered suitable. Criteria promulgated by a body designated by the AICPA Governing Council under the AICPA Code of Professional Conduct are, by definition, considered to be suitable.

.26 Criteria may be established or developed by the client, the responsible party, industry associations, or other groups that do not follow due process procedures or do not as clearly represent the public interest. To determine whether these criteria are suitable, the practitioner should evaluate them based on the attributes described in paragraph .24.

.27 Regardless of who establishes or develops the criteria, the responsible party or the client is responsible for selecting the criteria and the client is responsible for determining that such criteria are appropriate for its purposes.

.28 The use of suitable criteria does not presume that all persons or groups would be expected to select the same criteria in evaluating the same subject matter. There may be more than one set of suitable criteria for a given subject matter. For example, in an engagement to express assurance about customer satisfaction, a responsible party may select as a criterion for customer satisfaction that all customer complaints are resolved to the satisfaction of the customer. In other cases, another responsible party may select a different criterion, such as the number of repeat purchases in the three months following the initial purchase.

.29 In evaluating the measurability attribute as described in paragraph .24, the practitioner should consider whether the criteria are sufficiently precise to permit people having competence in and using the same measurement criterion to be able to ordinarily obtain materially similar measurements. Consequently, practitioners should not perform an engagement when the criteria are so subjective or vague that reasonably consistent measurements, qualitative or quantitative, of subject matter cannot ordinarily be obtained. However, practitioners will not always reach the same conclusion because such evaluations often require the exercise of considerable professional judgment.

.30 For the purpose of assessing whether the use of particular criteria can be expected to yield reasonably consistent measurement and evaluation, consideration should be given to the nature of the subject matter. For example, soft information, such as forecasts or projections, would be expected to have a wider range of reasonable estimates than hard data, such as the calculated investment performance of a defined portfolio of managed investment products.

.31 Some criteria may be appropriate for only a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria. For instance, criteria set forth in a lease agreement for override payments may be appropriate only for reporting to the parties to the agreement because of the likelihood that such criteria would be misunderstood or misinterpreted by parties other than those who have specifically agreed to the criteria. Such criteria can be agreed upon directly by the parties or through a designated representative. If a practitioner determines that such criteria are appropriate only for a limited number of parties, the use of the report should be restricted to those specified parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.

.32 The third general standard in paragraph .23 applies equally regardless of the level of the attest service to be provided. Consequently, it is inappropriate to perform a review engagement if the practitioner concludes that an examination cannot be performed because competent persons using the same criteria would not be able to obtain materially similar evaluations.
Availability of Criteria

.33 The criteria should be available to users in one or more of the following ways:

a. Available publicly
b. Available to all users through inclusion in a clear manner in the presentation of the subject matter or in the assertion
c. Available to all users through inclusion in a clear manner in the practitioner's report
d. Well understood by most users, although not formally available (for example, "The distance between points A and B is twenty feet;" the criterion of distance measured in feet is considered to be well understood)
e. Available only to specified parties; for example, terms of a contract or criteria issued by an industry association that are available only to those in the industry

.34 If criteria are only available to specified parties, the practitioner's report should be restricted to those parties who have access to the criteria as described in paragraphs .78 and .80.

Independence

.35 The fourth general standard is—*The practitioner must maintain independence in mental attitude in all matters relating to the engagement.* [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

.36 The practitioner should maintain the intellectual honesty and impartiality necessary to reach an unbiased conclusion about the subject matter or the assertion. This is a cornerstone of the attest function.

.37 In the final analysis, independence in mental attitude means objective consideration of facts, unbiased judgments, and honest neutrality on the part of the practitioner in forming and expressing conclusions. It implies not the attitude of an advocate or an adversary but an impartiality that recognizes an obligation for fairness. Independence in mental attitude presumes an undeviating concern for an unbiased conclusion about the subject matter or an assertion no matter what the subject matter or the assertion may be.

.38 The profession has established, through the AICPA's Code of Professional Conduct, precepts to guard against the presumption of loss of independence. Presumption is stressed because the possession of intrinsic independence is a matter of personal quality rather than of rules that formulate certain objective tests. Insofar as these precepts have been incorporated in the profession's code, they have the force of professional law for the independent practitioner.

Due Professional Care

.39 The fifth general standard is—The practitioner must exercise due professional care in the planning and performance of the engagement and the preparation of the report. [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

.40 Due professional care imposes a responsibility on each practitioner involved with the engagement to observe each of the attestation standards. Exercise of due professional care requires critical review at every level of supervision of the work done and the judgment exercised by those assisting in the engagement, including the preparation of the report.

.41 Cooley on Torts, a legal treatise, describes the obligation for due care as follows:

Every man who offers his services to another and is employed assumes the duty to exercise in the employment such skill as he possesses with reasonable care and diligence. In all these employments where peculiar skill is requisite, if one offers his services, he is understood as holding himself out to the public as possessing the degree of skill commonly possessed by others in the same employment, and if his pretentions are unfounded, he commits a species of fraud upon every man who employs him in reliance on his public profession. But no man, whether skilled or unskilled, undertakes that the task he assumes shall be performed successfully, and without fault or error; he undertakes for good faith and integrity, but not for infallibility, and he is liable to his employer for negligence, bad faith, or dishonesty, but not for losses consequent upon mere errors of judgment.8

Standards of Fieldwork
Planning and Supervision

.42 The first standard of fieldwork is—The practitioner must adequately plan the work and must properly supervise any assistants. [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

.43 Proper planning and supervision contribute to the effectiveness of attest procedures. Proper planning directly influences the selection of appropriate procedures and the timeliness of their application, and proper supervision helps ensure that planned procedures are appropriately applied.

.44 Planning an attest engagement involves developing an overall strategy for the expected conduct and scope of the engagement. To develop such a strategy, practitioners need to have sufficient knowledge to enable them to understand adequately the events, transactions, and practices that, in their judgment, have a significant effect on the subject matter or the assertion.

.45 Factors to be considered by the practitioner in planning an attest engagement include the following:

a. The criteria to be used

b. Preliminary judgments about attestation risk\(^9\) and materiality for attest purposes

c. The nature of the subject matter or the items within the assertion that are likely to require revision or adjustment

d. Conditions that may require extension or modification of attest procedures

e. The nature of the report expected to be issued

.46 The practitioner should establish an understanding with the client regarding the services to be performed for each engagement.\(^10\) Such an understanding reduces the risk that either the practitioner or the client may misinterpret the needs or expectations of the other party. For example, it reduces the risk that the client may inappropriately rely on the practitioner to protect the entity against certain risks or to perform certain functions that are the client’s responsibility. The understanding should include the objectives of the engagement, management’s responsibilities, the practitioner’s responsibilities, and limitations of the engagement. The practitioner should document the understanding in the working papers, preferably through a written communication with the client. If the practitioner believes an understanding with the client has not been established, he or she should decline to accept or perform the engagement.

.47 The nature, extent, and timing of planning will vary with the nature and complexity of the subject matter or the assertion and the practitioner’s prior experience with management. As part of the planning process, the practitioner should consider the nature, extent, and timing of the work to be performed to accomplish the objectives of the attest engagement. Nevertheless, as the attest engagement progresses, changed conditions may make it necessary to modify planned procedures.

.48 Supervision involves directing the efforts of assistants who participate in accomplishing the objectives of the attest engagement and determining whether those objectives were accomplished. Elements of supervision include instructing assistants, staying informed of significant problems encountered, reviewing the work performed, and dealing with differences of opinion among personnel. The extent of supervision appropriate in a given instance depends on many factors, including the nature and complexity of the subject matter and the qualifications of the persons performing the work.

.49 Assistants should be informed of their responsibilities, including the objectives of the procedures that they are to perform and matters that may affect the nature, extent, and timing of such procedures. The practitioner with final responsibility for the engagement should direct assistants to bring to his or her attention significant questions raised during the attest engagement so that their significance may be assessed.

.50 The work performed by each assistant should be reviewed to determine whether it was adequately performed and to evaluate whether the results are consistent with the conclusion to be presented in the practitioner’s report.

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\(^9\) *Attestation risk* is the risk that the practitioner may unknowingly fail to appropriately modify his or her attest report on the subject matter or an assertion that is materially misstated. It consists of (a) the risk (consisting of *inherent risk* and *control risk*) that the subject matter or assertion contains deviations or misstatements that could be material and (b) the risk that the practitioner will not detect such deviations or misstatements (*detection risk*).

\(^10\) See paragraph 29 of SQCS No. 8. [Footnote amended due to the issuance of SQCS No. 7, December 2008. Footnote revised, December 2012, due to the issuance of SQCS No. 8.]
Obtaining Sufficient Evidence

.51 The second standard of fieldwork is—The practitioner must obtain sufficient evidence to provide a reasonable basis for the conclusion that is expressed in the report. [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

.52 Selecting and applying procedures that will accumulate evidence that is sufficient in the circumstances to provide a reasonable basis for the level of assurance to be expressed in the attest report requires the careful exercise of professional judgment. A broad array of available procedures may be applied in an attest engagement. In establishing a proper combination of procedures to appropriately restrict attestation risk, the practitioner should consider the following presumptions, bearing in mind that they are not mutually exclusive and may be subject to important exceptions.

a. Evidence obtained from independent sources outside an entity provides greater assurance about the subject matter or the assertion than evidence secured solely from within the entity.

b. Information obtained from the independent attester's direct personal knowledge (such as through physical examination, observation, computation, operating tests, or inspection) is more persuasive than information obtained indirectly.

c. The more effective the controls over the subject matter, the more assurance they provide about the subject matter or the assertion.

.53 Thus, in the hierarchy of available attest procedures, those that involve search and verification (for example, inspection, confirmation, or observation), particularly when using independent sources outside the entity, are generally more effective in restricting attestation risk than those involving internal inquiries and comparisons of internal information (for example, analytical procedures and discussions with individuals responsible for the subject matter or the assertion). On the other hand, the latter are generally less costly to apply.

.54 In an attest engagement designed to provide a high level of assurance (referred to as an examination), the practitioner's objective is to accumulate sufficient evidence to restrict attestation risk to a level that is, in the practitioner's professional judgment, appropriately low for the high level of assurance that may be imparted by his or her report. In such an engagement, a practitioner should select from all available procedures—that is, procedures that assess inherent and control risk and restrict detection risk—any combination that can restrict attestation risk to such an appropriately low level.

.55 In an attest engagement designed to provide a moderate level of assurance (referred to as a review), the objective is to accumulate sufficient evidence to restrict attestation risk to a moderate level. To accomplish this, the types of procedures performed generally are limited to inquiries and analytical procedures (rather than also including search and verification procedures).

.56 Nevertheless, there will be circumstances in which inquiry and analytical procedures (a) cannot be performed, (b) are deemed less efficient than other procedures, or (c) yield evidence indicating that the subject matter or the assertion may be incomplete or inaccurate. In the first circumstance, the practitioner should perform other procedures that he or she believes can provide him or her with a level of assurance equivalent to that which inquiries and analytical procedures would have provided. In the second circumstance,
the practitioner may perform other procedures that he or she believes would
be more efficient to provide him or her with a level of assurance equivalent
to that which inquiries and analytical procedures would provide. In the third
circumstance, the practitioner should perform additional procedures.

.57 The extent to which attestation procedures will be performed should
be based on the level of assurance to be provided and the practitioner's consid-
eration of (a) the nature and materiality of the information to be tested to the
subject matter or the assertion taken as a whole, (b) the likelihood of misstate-
ments, (c) knowledge obtained during current and previous engagements, (d)
the responsible party's competence in the subject matter, (e) the extent to which
the information is affected by the asserter's judgment, and (f) inadequacies in
the responsible party's underlying data.

.58 As part of the attestation procedures, the practitioner considers the
written assertion ordinarily provided by the responsible party. If a written
assertion cannot be obtained from the responsible party, the practitioner should
consider the effects on his or her ability to obtain sufficient evidence to form
a conclusion about the subject matter. When the practitioner's client is the
responsible party, a failure to obtain a written assertion should result in the
practitioner concluding that a scope limitation exists.\textsuperscript{11} When the practitioner's
client is not the responsible party and a written assertion is not provided, the
practitioner may be able to conclude that he or she has sufficient evidence to
form a conclusion about the subject matter.

Representation Letter

.59 During an attest engagement, the responsible party makes many rep-
resentations to the practitioner, both oral and written, in response to specific
inquiries or through the presentation of subject matter or an assertion. Such
representations from the responsible party are part of the evidential matter
the practitioner obtains.

.60 Written representations from the responsible party ordinarily con-
firm representations explicitly or implicitly given to the practitioner, indicate
and document the continuing appropriateness of such representations, and re-
duce the possibility of misunderstanding concerning the matters that are the
subject of the representations. Accordingly, in an examination or a review en-
gagement, a practitioner should consider obtaining a representation letter from
the responsible party. Examples of matters that might appear in such a repre-
sentation letter include the following:\textsuperscript{12}

\begin{enumerate}
\item A statement acknowledging responsibility for the subject matter and,
when applicable, the assertion
\item A statement acknowledging responsibility for selecting the criteria,
where applicable
\end{enumerate}

\textsuperscript{11} When the client is the responsible party, it is presumed that the client will be capable of
providing the practitioner with a written assertion regarding the subject matter. Failure to provide
the written assertion in this circumstance is a client-imposed limitation on the practitioner's evidence-
gathering efforts. In an examination, the practitioner should modify the report for the scope limitation.
In a review engagement, such a scope limitation results in an incomplete review and the practitioner
should withdraw from the engagement.

\textsuperscript{12} Specific written representations will depend on the circumstances of the engagement (for exam-
ple, whether the client is the responsible party) and the nature of the subject matter and the criteria.
For example, when the client is not the responsible party but has selected the criteria, the practitioner
might obtain the representation regarding responsibility for selection of the criteria from the client
rather than the responsible party (see paragraph .61).
c. A statement acknowledging responsibility for determining that such criteria are appropriate for its purposes, where the responsible party is the client

d. The assertion about the subject matter based on the criteria selected

e. A statement that all known matters contradicting the assertion and any communication from regulatory agencies affecting the subject matter or the assertion have been disclosed to the practitioner

f. Availability of all records relevant to the subject matter

g. A statement that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter (or, if applicable, the assertion) have been disclosed to the practitioner

h. Other matters as the practitioner deems appropriate

.61 When the client is not the responsible party, the practitioner should consider obtaining a letter of written representations from the client as part of the attest engagement. Examples of matters that might appear in such a representation letter include the following:

a. A statement that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter (or, if applicable, the assertion) have been disclosed to the practitioner

b. A statement acknowledging the client's responsibility for selecting the criteria, where applicable

c. A statement acknowledging the client's responsibility for determining that such criteria are appropriate for its purposes

d. Other matters as the practitioner deems appropriate

.62 If the responsible party or the client refuses to furnish all written representations that the practitioner deems necessary, the practitioner should consider the effects of such a refusal on his or her ability to issue a conclusion about the subject matter. If the practitioner believes that the representation letter is necessary to obtain sufficient evidence to issue a report, the responsible party's or the client's refusal to furnish such evidence in the form of written representations constitutes a limitation on the scope of an examination sufficient to preclude an unqualified opinion and is ordinarily sufficient to cause the practitioner to disclaim an opinion or withdraw from an examination engagement. However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude, in an examination engagement, that a qualified opinion is appropriate. Further, the practitioner should consider the effects of the refusal on his or her ability to rely on other representations. When a scope limitation exists in a review engagement, the practitioner should withdraw from the engagement. (See paragraph .75.)

Standards of Reporting

.63 The first standard of reporting is—The practitioner must identify the subject matter or the assertion being reported on and state the character of the engagement in the report. [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

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13 The reporting standards apply only when the practitioner issues a report. [Footnote added, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]
.64 The practitioner who accepts an attest engagement should issue a report on the subject matter or the assertion or withdraw from the attest engagement. If the practitioner is reporting on the assertion, the assertion should be bound with or accompany the practitioner's report or the assertion should be clearly stated in the practitioner’s report.14

.65 The statement of the character of an attest engagement includes the following two elements: (a) a description of the nature and scope of the work performed and (b) a reference to the professional standards governing the engagement. The terms examination and review should be used to describe engagements to provide, respectively, a high level and a moderate level of assurance. The reference to professional standards should be accomplished by referring to “attestation standards established by the American Institute of Certified Public Accountants.”

.66 The second standard of reporting is—The practitioner must state the practitioner’s conclusion about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated in the report. However, if conditions exist that, individually or in combination, result in one or more material misstatements or deviations from the criteria, the practitioner should modify the report and, to most effectively communicate with the reader of the report, should ordinarily express his or her conclusion directly on the subject matter,15 not on the assertion. [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

.67 The practitioner should consider the concept of materiality in applying this standard. In expressing a conclusion, the practitioner should consider an omission or a misstatement to be material if the omission or misstatement—in individually or when aggregated with others—is such that a reasonable person would be influenced by the omission or misstatement. The practitioner should consider both qualitative and quantitative aspects of omissions and misstatements.

.68 The term general use applies to attest reports that are not restricted to specified parties. General-use attest reports should be limited to two levels of assurance: one based on a restriction of attestation risk to an appropriately low level (an examination) and the other based on a restriction of attestation risk to a moderate level (a review). In an engagement to achieve a high level of assurance (an examination), the practitioner’s conclusion should be expressed in the form of an opinion. When attestation risk has been restricted only to a moderate level (a review), the conclusion should be expressed in the form of negative assurance.

.69 A practitioner may report on subject matter or an assertion at multiple dates or covering multiple periods during which criteria have changed (for example, a report on comparative information). In those circumstances, the practitioner should determine whether the criteria are clearly stated or described for each of the dates or periods, and whether the changes have been adequately disclosed.

14 The use of a “hot link” within the practitioner’s report to management’s assertion, such as might be used in a WebTrustSM report, would meet this requirement. [Footnote renumbered by the issuance of SSAE No. 14, November 2006.]

15 Specific standards may require that the practitioner express his or her conclusion directly on the subject matter. For example, if management states in its assertion that a material weakness exists in the entity’s internal control over financial reporting, the practitioner should state his or her opinion directly on the effectiveness of internal control, not on management’s assertion related thereto. [Footnote renumbered by the issuance of SSAE No. 14, November 2006.]
.70 If the criteria used for the subject matter for the current date or period differ from those criteria used for the subject matter for a preceding date or period and the subject matter for the prior date or period is not presented, the practitioner should consider whether the changes in criteria are likely to be significant to users of the report. If so, the practitioner should determine whether the criteria are clearly stated or described and the fact that the criteria have changed is disclosed. (See paragraphs .76–.77.)

.71 The third standard of reporting is—The practitioner must state all of the practitioner’s significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto in the report. [As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

.72 Reservations about the engagement refers to any unresolved problem that the practitioner had in complying with these attestation standards, interpretive standards, or the specific procedures agreed to by the specified parties. The practitioner should not express an unqualified conclusion unless the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that he or she considers necessary in the circumstances.

.73 Restrictions on the scope of an engagement, whether imposed by the client or by such other circumstances as the timing of the work or the inability to obtain sufficient evidence, may require the practitioner to qualify the assurance provided, to disclaim any assurance, or to withdraw from the engagement. For example, if the practitioner's client is the responsible party, a failure to obtain a written assertion should result in the practitioner concluding that a scope limitation exists. (See paragraph .58.)

.74 The practitioner's decision to provide a qualified opinion, to disclaim an opinion, or to withdraw because of a scope limitation in an examination engagement depends on an assessment of the effect of the omitted procedure(s) on his or her ability to express assurance. This assessment will be affected by the nature and magnitude of the potential effects of the matters in question, and by their significance to the subject matter or the assertion. If the potential effects are pervasive to the subject matter or the assertion, a disclaimer or withdrawal is more likely to be appropriate. When restrictions that significantly limit the scope of the engagement are imposed by the client or the responsible party, the practitioner generally should disclaim an opinion or withdraw from the engagement. The reasons for a qualification or disclaimer should be described in the practitioner's report.

.75 In a review engagement, when the practitioner is unable to perform the inquiry and analytical or other procedures he or she considers necessary to achieve the limited assurance contemplated by a review, or when the client is the responsible party and does not provide the practitioner with a written assertion, the review will be incomplete. A review that is incomplete is not an adequate basis for issuing a review report and, accordingly, the practitioner should withdraw from the engagement.

.76 Reservations about the subject matter or the assertion refers to any unresolved reservation about the assertion or about the conformity of the subject matter with the criteria, including the adequacy of the disclosure of material matters. They can result in either a qualified or an adverse opinion, depending on the materiality of the departure from the criteria against which the subject
matters or the assertion was evaluated, or a modified conclusion in a review engagement.

.77 Reservations about the subject matter or the assertion may relate to the measurement, form, arrangement, content, or underlying judgments and assumptions applicable to the subject matter or the assertion and its appended notes, including, for example, the terminology used, the amount of detail given, the classification of items, and the bases of amounts set forth. The practitioner considers whether a particular reservation should affect the report given the circumstances and facts of which he or she is aware at the time.

.78 The fourth standard of reporting is—The practitioner must state in the report that the report is intended solely for the information and use of the specified parties under the following circumstances:

- When the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria
- When the criteria used to evaluate the subject matter are available only to specified parties
- When reporting on subject matter and a written assertion has not been provided by the responsible party
- When the report is on an attestation engagement to apply agreed-upon procedures to the subject matter

[As amended, effective when the subject matter or assertion is as of or for a period ending on or after December 15, 2006, by SSAE No. 14.]

.79 The need for restriction on the use of a report may result from a number of circumstances, including the purpose of the report, the criteria used in preparation of the subject matter, the extent to which the procedures performed are known or understood, and the potential for the report to be misunderstood when taken out of the context in which it was intended to be used. A practitioner should consider informing his or her client that restricted-use reports are not intended for distribution to nonspecified parties, regardless of whether they are included in a document containing a separate general-use report.16,17 However, a practitioner is not responsible for controlling a client’s distribution of restricted-use reports. Accordingly, a restricted-use report should alert readers to the restriction on the use of the report by indicating that the report is not intended to be and should not be used by anyone other than the specified parties.

.80 An attest report that is restricted as to use should contain a separate paragraph at the end of the report that includes the following elements:

a. A statement indicating that the report is intended solely for the information and use of the specified parties

16 In some cases, restricted-use reports filed with regulatory agencies are required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency as part of its oversight responsibility for an entity may require access to restricted-use reports in which they are not named as a specified party. [Footnote renumbered by the issuance of SSAE No. 14, November 2006.]

17 This section does not preclude the practitioner, in connection with establishing the terms of the engagement, from reaching an understanding with the client that the intended use of the report will be restricted, and from obtaining the client’s agreement that the client and the specified parties will not distribute the report to parties other than those identified in the report. [Footnote renumbered by the issuance of SSAE No. 14, November 2006.]
b. An identification of the specified parties to whom use is restricted

c. A statement that the report is not intended to be and should not be used by anyone other than the specified parties

An example of such a paragraph is the following.

This report is intended solely for the information and use of [the specified parties] and is not intended to be and should not be used by anyone other than these specified parties.

.81 Other attestation standards may specify situations that require restricted reports such as the following:

a. A review report on management’s discussion and analysis

b. A report on prospective financial information when the report is intended for use by the responsible party alone, or by the responsible party and third parties with whom the responsible party is negotiating directly, as described in paragraph .10 of section 301, Financial Forecasts and Projections.

Furthermore, nothing in this section precludes a practitioner from restricting the use of any report.

.82 If a practitioner issues a single combined report covering both (a) subject matter or presentations that require a restriction on use to specified parties and (b) subject matter or presentations that ordinarily do not require such a restriction, the use of such a single combined report should be restricted to the specified parties.

.83 In some instances, a separate restricted-use report may be included in a document that also contains a general-use report. The inclusion of a separate restricted-use report in a document that contains a general-use report does not affect the intended use of either report. The restricted-use report remains restricted as to use, and the general-use report continues to be for general use.

Examination Reports

.84 When expressing an opinion, the practitioner should clearly state whether, in his or her opinion, (a) the subject matter is based on (or in conformity with) the criteria in all material respects or (b) the assertion is presented (or fairly stated), in all material respects, based on the criteria. Reports expressing an opinion may be qualified or modified for some aspect of the subject matter, the assertion or the engagement (see the third reporting standard). However, as stated in paragraph .66, if conditions exist that, individually or in combination, result in one or more material misstatements or deviations from the criteria, the practitioner should modify the report and, to most effectively communicate with the reader of the report, should ordinarily express his or her conclusion directly on the subject matter, not on the assertion. In addition, such reports may emphasize certain matters relating to the attest engagement, the subject matter, or the assertion. The form of the practitioner's report will depend on whether the practitioner opines on the subject matter or the assertion.

.85 The practitioner's examination report on subject matter should include the following:

a. A title that includes the word independent

b. An identification of the subject matter and the responsible party

c. A statement that the subject matter is the responsibility of the responsible party
d. A statement that the practitioner's responsibility is to express an opinion on the subject matter based on his or her examination

e. A statement that the examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and, accordingly, included procedures that the practitioner considered necessary in the circumstances

f. A statement that the practitioner believes the examination provides a reasonable basis for his or her opinion

g. The practitioner's opinion on whether the subject matter is based on (or in conformity with) the criteria in all material respects

h. A statement restricting the use of the report to specified parties under the following circumstances (see paragraphs .78–.83):

(1) When the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria

(2) When the criteria used to evaluate the subject matter are available only to the specified parties

(3) When a written assertion has not been provided by the responsible party (The practitioner should also include a statement to that effect in the introductory paragraph of the report.)

i. The manual or printed signature of the practitioner's firm

j. The date of the examination report

Appendix A [paragraph .114], Examination Reports, includes a standard examination report on subject matter. (See example 1.)

.86 The practitioner's examination report on an assertion should include the following:

a. A title that includes the word independent

b. An identification of the assertion and the responsible party (When the assertion does not accompany the practitioner's report, the first paragraph of the report should also contain a statement of the assertion.)

c. A statement that the assertion is the responsibility of the responsible party

d. A statement that the practitioner's responsibility is to express an opinion on the assertion based on his or her examination

e. A statement that the examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and, accordingly, included procedures that the practitioner considered necessary in the circumstances

f. A statement that the practitioner believes the examination provides a reasonable basis for his or her opinion

g. The practitioner's opinion on whether the assertion is presented (or fairly stated), in all material respects, based on the criteria (However, see paragraph .66.)

h. A statement restricting the use of the report to specified parties under the following circumstances (see paragraphs .78–.83):

(1) When the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment
or can be presumed to have an adequate understanding of the criteria

(2) When the criteria used to evaluate the subject matter are available only to the specified parties

i. The manual or printed signature of the practitioner's firm

j. The date of the examination report

Appendix A [paragraph .114] includes a standard examination report on an assertion. (See example 2.)

.87 Nothing precludes the practitioner from examining an assertion but opining directly on the subject matter. (See Appendix A [paragraph .114], example 3.)

Review Reports

.88 In a review report, the practitioner's conclusion should state whether any information came to the practitioner's attention on the basis of the work performed that indicates that (a) the subject matter is not based on (or in conformity with) the criteria or (b) the assertion is not presented (or fairly stated) in all material respects based on the criteria. (As discussed more fully in the commentary to the third reporting standard, if the subject matter or the assertion is not modified to correct for any such information that comes to the practitioner's attention, such information should be described in the practitioner's report.)

.89 The practitioner's review report on subject matter should include the following:

a. A title that includes the word independent

b. An identification of the subject matter and the responsible party

c. A statement that the subject matter is the responsibility of the responsible party

d. A statement that the review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants

e. A statement that a review is substantially less in scope than an examination, the objective of which is an expression of opinion on the subject matter, and accordingly, no such opinion is expressed

f. A statement about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be based on (or in conformity with), in all material respects, the criteria, other than those modifications, if any, indicated in his or her report

g. A statement restricting the use of the report to specified parties under the following circumstances (see paragraphs .78–.83):

(1) When the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria

(2) When the criteria used to evaluate the subject matter are available only to the specified parties
(3) When a written assertion has not been provided by the responsible party and the responsible party is not the client (The practitioner should also include a statement to that effect in the introductory paragraph of the report.)

h. The manual or printed signature of the practitioner's firm

i. The date of the review report

Appendix B [paragraph .115] Review Reports, includes a standard review report on subject matter. (See example 1.) Appendix B [paragraph .115] also includes a review report on subject matter that is the responsibility of a party other than client; the report is restricted as to use because a written assertion has not been provided by the responsible party. (See example 2.)

.90 The practitioner's review report on an assertion should include the following:

a. A title that includes the word independent

b. An identification of the assertion and the responsible party (When the assertion does not accompany the practitioner's report, the first paragraph of the report should also contain a statement of the assertion.)

c. A statement that the assertion is the responsibility of the responsible party

d. A statement that the review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants

e. A statement that a review is substantially less in scope than an examination, the objective of which is an expression of opinion on the assertion, and accordingly, no such opinion is expressed

f. A statement about whether the practitioner is aware of any material modifications that should be made to the assertion in order for it to be presented (or fairly stated), in all material respects, based on (or in conformity with) the criteria, other than those modifications, if any, indicated in his or her report (However, see paragraph .66.)

g. A statement restricting the use of the report to specified parties under the following circumstances (see paragraphs .78–.83):

(1) When the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria

(2) When the criteria used to evaluate the subject matter are available only to the specified parties

h. The manual or printed signature of the practitioner's firm

i. The date of the review report

Appendix B [paragraph .115] includes a review report on an assertion that is restricted as to use because the criteria are available only to the specified parties. (See example 3.)
Other Information in a Client-Prepared Document Containing the Practitioner’s Attest Report\(^{18}\)

.91 A client may publish various documents that contain information (hereinafter referred to as \textit{other information}) in addition to the practitioner's attest report on subject matter (or on an assertion related thereto). Paragraphs .92–.94 provide guidance to the practitioner when the other information is contained in (a) annual reports to holders of securities or beneficial interests, annual reports of organizations for charitable or philanthropic purposes distributed to the public, and annual reports filed with regulatory authorities under the Securities Exchange Act of 1934 or (b) other documents to which the practitioner, at the client's request, devotes attention. These paragraphs are not applicable when an attest report appears in a registration statement filed under the Securities Act of 1933. (See AU-C section 920, \textit{Letters for Underwriters and Certain Other Requesting Parties}, and AU-C section 925, \textit{Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933}.) Also, these paragraphs are not applicable to other information on which the practitioner or another practitioner is engaged to issue an opinion. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

.92 The practitioner's responsibility with respect to other information in such a document does not extend beyond the information identified in his or her report, and the practitioner has no obligation to perform any procedures to corroborate any other information contained in the document. However, the practitioner should read the other information not covered by the practitioner's report or by the report of the other practitioner and consider whether it, or the manner of its presentation, is materially inconsistent with the information appearing in the practitioner's report. If the practitioner believes that the other information is inconsistent with the information appearing in the practitioner's report, he or she should consider whether the practitioner's report requires revision. If the practitioner concludes that the report does not require revision, he or she should request the client to revise the other information. If the other information is not revised to eliminate the material inconsistency, the practitioner should consider other actions, such as revising his or her report to include an explanatory paragraph describing the material inconsistency, withholding the use of his or her report in the document, or withdrawing from the engagement.

.93 If, while reading the other information for the reasons set forth in paragraph .92, the practitioner becomes aware of information that he or she believes is a material misstatement of fact that is not a material inconsistency as described in paragraph .92, he or she should discuss the matter with the client. In connection with this discussion, the practitioner should consider that he or she may not have the expertise to assess the validity of the statement, that there may be no standards by which to assess its presentation, and that there may be valid differences of judgment or opinion. If the practitioner concludes he or she has a valid basis for concern, the practitioner should propose that the client consult with some other party whose advice may be useful, such as the entity's legal counsel.

\(^{18}\) Such guidance pertains only to other information in a client-prepared document. The practitioner has no responsibility to read information contained in documents of nonclients. Further, the practitioner is not required to read information contained in electronic sites, or to consider the consistency of other information in electronic sites with the original documents since electronic sites are a means of distributing information and are not "documents" as that term is used in this section. Practitioners may be asked by their clients to render attest services with respect to information in electronic sites, in which case, other attest standards may apply to those services. [Footnote renumbered by the issuance of SSAE No. 14, November 2006.]
.94 If, after discussing the matter, the practitioner concludes that a material misstatement of fact remains, the action taken will depend on his or her judgment in the circumstances. The practitioner should consider steps such as notifying the client’s management and audit committee in writing of his or her views concerning the information and consulting his or her legal counsel about further action appropriate in the circumstances.¹⁹

Consideration of Subsequent Events in an Attest Engagement

.95 Events or transactions sometimes occur subsequent to the point in time or period of time of the subject matter being tested but prior to the date of the practitioner’s report that have a material effect on the subject matter and therefore require adjustment or disclosure in the presentation of the subject matter or assertion. These occurrences are referred to as subsequent events. In performing an attest engagement, a practitioner should consider information about subsequent events that comes to his or her attention. Two types of subsequent events require consideration by the practitioner.

.96 The first type consists of events that provide additional information with respect to conditions that existed at the point in time or during the period of time of the subject matter being tested. This information should be used by the practitioner in considering whether the subject matter is presented in conformity with the criteria and may affect the presentation of the subject matter, the assertion, or the practitioner’s report.

.97 The second type consists of those events that provide information with respect to conditions that arose subsequent to the point in time or period of time of the subject matter being tested that are of such a nature and significance that their disclosure is necessary to keep the subject matter from being misleading. This type of information will not normally affect the practitioner’s report if the information is appropriately disclosed.

.98 While the practitioner has no responsibility to detect subsequent events, the practitioner should inquire of the responsible party (and his or her client if the client is not the responsible party) as to whether they are aware of any subsequent events, through the date of the practitioner’s report, that would have a material effect on the subject matter or assertion.²⁰ If the practitioner has decided to obtain a representation letter, the letter ordinarily would include a representation concerning subsequent events. (See paragraphs .60–.61.)

.99 The practitioner has no responsibility to keep informed of events subsequent to the date of his or her report; however, the practitioner may later become aware of conditions that existed at that date that might have affected the practitioner’s report had he or she been aware of them. In such circumstances, the practitioner may wish to consider the guidance in AU-C section

¹⁹ If the client does not have an audit committee, the practitioner should communicate with individuals whose authority and responsibility are equivalent to those of an audit committee, such as the board of directors, the board of trustees, an owner in a owner-managed entity, or those who engaged the practitioner. [Footnote renumbered by the issuance of Statement on SSAE No. 14, November 2006.]

²⁰ For certain subject matter, specific subsequent event standards have been developed to provide additional requirements for engagement performance and reporting. Additionally, a practitioner engaged to examine the design or effectiveness of internal control over items not covered by section 501, An Examination of an Entity’s Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements, or section 601, Compliance Attestation, should consider the subsequent events guidance set forth in paragraphs .129–134 of section 501 and paragraphs .50–.52 of section 601. [Footnote renumbered by the issuance of SSAE No. 14, November 2006.]
Statements on Standards for Attestation Engagements

Subsequent Events and Subsequently Discovered Facts. [Revised, December 2012, to reflect conforming changes necessary due to the issuance of SAS Nos. 122–126.]

Attest Documentation

.100 The practitioner should prepare and maintain attest documentation, the form and content of which should be designed to meet the circumstances of the particular attest engagement. Attest documentation is the principal record of attest procedures applied, information obtained, and conclusions or findings reached by the practitioner in the engagement. The quantity, type, and content of attest documentation are matters of the practitioner’s professional judgment. [As amended, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11.]

.101 Attest documentation serves mainly to:

a. Provide the principal support for the practitioner’s report, including the representation regarding observance of the standards of fieldwork, which is implicit in the reference in the report to attestation standards.

b. Aid the practitioner in the conduct and supervision of the attest engagement.

For examinations of prospective financial statements, attest documentation ordinarily should indicate that the process by which the entity develops its prospective financial statements was considered in determining the scope of the examination. [Paragraph added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11.]

.102 Examples of attest documentation are work programs, analyses, memoranda, letters of confirmation and representation, abstracts or copies of entity documents, and schedules or commentaries prepared or obtained by the practitioner. Attest documentation may be in paper form, electronic form, or other media. [Paragraph renumbered and amended, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11.]

.103 Attest documentation should be sufficient to (a) enable members of the engagement team with supervision and review responsibilities to understand the nature, timing, extent, and results of attest procedures performed,

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21 Attest documentation also may be referred to as working papers. [Footnote added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11. Footnote renumbered by the issuance of SSAE No. 14, November 2006.]

222 [Footnote renumbered and deleted by the issuance of SSAE No. 11, January 2002. Footnote subsequently renumbered by the issuance of SSAE No. 14, November 2006.]

23 However, there is no intention to imply that the practitioner would be precluded from supporting his or her report by other means in addition to attest documentation. [Footnote added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11. Footnote renumbered by the issuance of SSAE No. 14, November 2006.]
and the information obtained \(^{24}\) and (b) indicate the engagement team member(s) who performed and reviewed the work. [Paragraph added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11.]

.104 Attest documentation is the property of the practitioner, and some states recognize this right of ownership in their statutes. The practitioner should adopt reasonable procedures to retain attest documentation for a period of time sufficient to meet the needs of his or her practice and to satisfy any applicable legal or regulatory requirements for records retention.\(^{25, 26}\) [Paragraph renumbered and amended, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11.]

.105 The practitioner has an ethical, and in some situations a legal, obligation to maintain the confidentiality of client information or information of the responsible party.\(^{27}\) Because attest documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information.\(^{†}\) [Paragraph added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11.]

.106 The practitioner also should adopt reasonable procedures to prevent unauthorized access to attest documentation. [Paragraph added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11.]

.107 Certain attest documentation may sometimes serve as a useful reference source for the client, but it should not be regarded as a part of, or a substitute for, the client’s records. [Paragraph renumbered and amended, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11.]

[.108] [Paragraph renumbered and deleted by the issuance of SSAE No. 11, January 2002.]

\(^{24}\) A firm of practitioners has a responsibility to adopt a system of quality control policies and procedures to provide the firm with reasonable assurance that its personnel comply with applicable professional standards, including attestation standards, and the firm’s standards of quality in conducting individual attest engagements. Review of attest documentation and discussions with engagement team members are among the procedures a firm performs when monitoring compliance with the quality control policies and procedures that it has established. (Also, see paragraphs .17–.18.) [Footnote added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11. Footnote renumbered by the issuance of SSAE No. 14, November 2006.]

\(^{25}\) The procedures should enable the practitioner to access electronic attest documentation throughout the retention period. [Footnote added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11. Footnote renumbered by the issuance of SSAE No. 14, November 2006.]

\(^{26}\) [Footnote renumbered and deleted by the issuance of SSAE No. 11, January 2002. Footnote subsequently renumbered by the issuance of SSAE No. 14, November 2006.]

\(^{27}\) Also, see Rule 301, Confidential Client Information, of the AICPA’s Code of Professional Conduct (ET sec. 301 par. .01). [Footnote added, effective for attest engagements when the subject matter or assertion is as of or for a period ending on or after December 15, 2002, by SSAE No. 11. Footnote renumbered by the issuance of SSAE No. 14, November 2006.]

\(^{†}\) Note: See Interpretation No. 4, “Providing Access to or Copies of Attest Documentation to a Regulator,” of section 101 (sec. 9101 par. .43–.46).
Attest Services Related to Consulting Service Engagements

Attest Services as Part of a Consulting Service Engagement

.109 When a practitioner provides an attest service (as defined in this section) as part of a consulting service engagement, this SSAE applies only to the attest service. The SSCS applies to the balance of the consulting service engagement. [Paragraph renumbered by the issuance of SSAE No. 11, January 2002.]

.110 When the practitioner determines that an attest service is to be provided as part of a consulting service engagement, the practitioner should inform the client of the relevant differences between the two types of services and obtain concurrence that the attest service is to be performed in accordance with the appropriate professional requirements. The practitioner should take such actions because the professional requirements for an attest service differ from those for a consulting service engagement. [Paragraph renumbered by the issuance of SSAE No. 11, January 2002.]

.111 The practitioner should issue separate reports on the attest engagement and the consulting service engagement and, if presented in a common binder, the report on the attest engagement or service should be clearly identified and segregated from the report on the consulting service engagement. [Paragraph renumbered by the issuance of SSAE No. 11, January 2002.]

Subject Matter, Assertions, Criteria, and Evidence

.112 An attest service may involve subject matter, an assertion, criteria, or evidential matter developed during a concurrent or prior consulting service engagement. Subject matter or an assertion developed with the practitioner’s advice and assistance as the result of such consulting services engagement may be the subject of an attest engagement, provided the responsible party accepts and acknowledges responsibility for the subject matter or assertion. (See paragraph .12.) Criteria developed with the practitioner’s assistance may be used to evaluate subject matter in an attest engagement, provided such criteria meet the requirements of this section. Relevant information obtained in the course of a concurrent or prior consulting service engagement may be used as evidential matter in an attest engagement, provided the information satisfies the requirements of this section. [Paragraph renumbered by the issuance of SSAE No. 11, January 2002.]

Effective Date

.113 This section is effective when the subject matter or assertion is as of or for a period ending on or after June 1, 2001. Early application is permitted. [Paragraph renumbered by the issuance of SSAE No. 11, January 2002.]
Appendix A

Examination Reports

Example 1

This is a standard examination report on subject matter for general use. This report pertains to subject matter for which suitable criteria exist and are available to all users through inclusion in a clear manner in the presentation of the subject matter. (See paragraphs .78–.83 for guidance on restricting the use of the report when criteria are available only to specified parties; see Example 4 for an illustration of such a report.) A written assertion has been obtained from the responsible party.

Independent Accountant’s Report

[Additional paragraph(s) may be added to emphasize certain matters relating to the attest engagement or the subject matter.]

In our opinion, the schedule referred to above presents, in all material respects, [identify the subject matter—for example, the investment returns of XYZ Company for the year ended December 31, 20XX] based on [identify criteria—for example, the ABC criteria set forth in Note 1].

[Signature]

[Date]

Example 2

This report is a standard examination report on an assertion for general use. The report pertains to subject matter for which suitable criteria exist and are available to all users through inclusion in a clear manner in the presentation of the subject matter. (See paragraphs .78–.83 for guidance on restricting the use of the report when criteria are available only to specified parties.) A written assertion has been obtained from the responsible party.

Independent Accountant’s Report

We have examined management’s assertion that [identify the assertion—for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX is presented in accordance with ABC criteria set forth in Note 1]. XYZ Company's management is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management’s assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

[Additional paragraph(s) may be added to emphasize certain matters relating to the attest engagement or the assertion.]

In our opinion, management’s assertion referred to above is fairly stated, in all material respects, based on [identify established or stated criteria—for example, the ABC criteria set forth in Note 1].

[Signature]

[Date]

Example 3

This is an examination report for general use; the introductory paragraph states the practitioner has examined management’s assertion but the practitioner opines directly on the subject matter (see paragraph .87). The report pertains to subject matter for which suitable criteria exist and are available to all users through inclusion in a clear manner in the presentation of the subject matter. (See paragraphs .78–.83 for guidance on restricting the use of the report when criteria are available only to specified parties.) A written assertion has been obtained from the responsible party.

Independent Accountant’s Report

We have examined management’s assertion that [identify the assertion—for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX is presented in accordance with the ABC criteria set forth in Note 1]. XYZ Company’s management is responsible for the assertion. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting [identify the subject matter—for example, XYZ Company’s schedule of investment returns] and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

[Additional paragraph(s) may be added to emphasize certain matters relating to the attest engagement or the assertion.]

In our opinion, the schedule referred to above, presents, in all material respects, [identify the subject matter—for example, the investment returns of XYZ Company for the year ended December 31, 20XX] based on [identify criteria—for example, the ABC criteria set forth in Note 1].

[Signature]

[Date]

Example 4

This is an examination report on subject matter. Although suitable criteria exist, use of the report is restricted because the criteria are available only to specified parties. (See paragraph .34.) A written assertion has been obtained from the responsible party.
Independent Accountant’s Report

We have examined the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX. XYZ Company's management is responsible for the schedule of investment returns. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting [identify the subject matter—for example, XYZ Company’s schedule of investment returns] and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedule referred to above, presents, in all material respects, [identify the subject matter—for example, the investment returns of XYZ Company for the year ended December 31, 20XX] based on the ABC criteria referred to in the investment management agreement between XYZ Company and DEF Investment Managers, Ltd., dated November 15, 20X1.

This report is intended solely for the information and use of XYZ Company and [identify other specified parties—for example, DEF Investment Managers, Ltd.] and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]
[Date]

Example 5

This is an examination report with a qualified opinion because conditions exist that, individually or in combination, result in one or more material misstatements or deviations from the criteria; the report is for general use. The report pertains to subject matter for which suitable criteria exist and are available to all users through inclusion in a clear manner in the presentation of the subject matter. (See paragraphs .78–.83 for guidance on restricting the use of the report when criteria are available only to specified parties.) A written assertion has been obtained from the responsible party.

Independent Accountant’s Report

We have examined the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX. XYZ Company's management is responsible for the schedule of investment returns. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting [identify the subject matter—for example, XYZ Company’s schedule of investment returns] and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Our examination disclosed the following [describe condition(s) that, individually or in the aggregate, resulted in a material misstatement or deviation from the criteria].
In our opinion, except for the material misstatement [or deviation from the criteria] described in the preceding paragraph, the schedule referred to above, presents, in all material respects, [identify the subject matter—for example, the investment returns of XYZ Company for the year ended December 31, 20XX] based on [identify criteria—for example, the ABC criteria set forth in Note 1].

[Signature]

[Date]

Example 6

This is an examination report that contains a disclaimer of opinion because of a scope restriction. (See paragraph .74 for reporting guidance when there is a scope restriction.) The report pertains to subject matter for which suitable criteria exist and are available to all users through inclusion in a clear manner in the presentation of the subject matter.

Independent Accountant’s Report

We were engaged to examine the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX. XYZ Company’s management is responsible for the schedule of investment returns.

[Scope paragraph should be omitted.]

[Include paragraph to describe scope restrictions.]

Because of the restriction on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the schedule referred to above presents, in all material respects, [identify the subject matter—for example, the investment returns of XYZ Company for the year ended December 31, 20XX] based on [identify criteria—for example, the ABC criteria set forth in Note 1].

[Signature]

[Date]

Example 7

This is an examination report on subject matter that is the responsibility of a party other than the client. The report is restricted as to use since a written assertion has not been provided by the responsible party. (See paragraph .78.) The subject matter pertains to criteria that are suitable and are available to the client.

Independent Accountant’s Report

To the Board of Directors

DEF Company:

We have examined the [identify the subject matter—for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX], XYZ Company’s management is responsible for the schedule of investment returns. XYZ management did not provide us a written assertion about their schedule of investment returns for the year ended December 31, 20XX. Our responsibility is to express an opinion based on our examination.
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting [identify the subject matter—for example, XYZ Company's schedule of investment returns] and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

[Additional paragraph(s) may be added to emphasize certain matters relating to the attest engagement or the subject matter.]

In our opinion, the schedule referred to above presents, in all material respects, [identify the subject matter—for example, the investment returns of XYZ Company for the year ended December 31, 20XX] based on [identify criteria—for example, the ABC criteria set forth in Note 1].

This report is intended solely for the information and use of the management and board of directors of DEF Company and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]

[Date]

[Paragraph renumbered by the issuance of SSAE No. 11, January 2002.]
Appendix B

Review Reports

Example 1

This is a standard review report on subject matter for general use. The report pertains to subject matter for which suitable criteria exist and are available to all users through inclusion in a clear manner in the presentation of the subject matter. (See paragraphs .78–.83 for guidance on restricting the use of the report when criteria are available only to specified parties.) A written assertion has been obtained from the responsible party.

Independent Accountant’s Report

We have reviewed the [identify the subject matter—for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]. XYZ Company's management is responsible for the schedule of investment returns.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on [identify the subject matter—for example, XYZ Company's schedule of investment returns]. Accordingly, we do not express such an opinion.

[Additional paragraph(s) may be added to emphasize certain matters relating to the attest engagement or the subject matter.]

Based on our review, nothing came to our attention that caused us to believe that the [identify the subject matter—for example, schedule of investment returns of XYZ Company for the year ended December 31, 20XX] is not presented, in all material respects, in conformity with [identify the criteria—for example, the ABC criteria set forth in Note 1].

[Signature]

[Date]

Example 2

This is a review report on subject matter that is the responsibility of a party other than the client. This review report is restricted as to use since a written assertion has not been provided by the responsible party. (See paragraph .78.) The subject matter pertains to criteria that are suitable and are available to the client.

Independent Accountant’s Report

To the Board of Directors

DEF Company:

We have reviewed [identify the subject matter—for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]. XYZ Company's management is responsible for the schedule of investment returns. XYZ Company’s management did not provide us a written assertion about their schedule of investment returns for the year ended December 31, 20XX.
Attest Engagements

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on [identify the subject matter—for example, XYZ Company’s schedule of investment returns]. Accordingly, we do not express such an opinion.

[Additional paragraph(s) may be added to emphasize certain matters relating to the attest engagement or the subject matter.]

Based on our review, nothing came to our attention that caused us to believe that [identify the subject matter—for example, the schedule of investment returns of XYZ Company for the year ended December 31, 20XX] is not presented, in all material respects, in conformity with [identify the criteria—for example, the ABC criteria set forth in Note 1].

This report is intended solely for the information and use of the management and board of directors of DEF Company and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]
[Date]

Example 3

This is a review report on an assertion. Although suitable criteria exist for the subject matter, the report is restricted as to use since the criteria are available only to specified parties; if the criteria are available as described in paragraph .33(a)–(d), the paragraph restricting the use of the report would be omitted. A written assertion has been obtained from the responsible party.

Independent Accountant’s Report

We have reviewed management’s assertion that [identify the assertion—for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX is presented in accordance with the ABC criteria referred to in Note 1]. XYZ Company’s management is responsible for the assertion.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management’s assertion. Accordingly, we do not express such an opinion.

[Additional paragraph(s) may be added to emphasize certain matters relating to the attest engagement or the assertion.]

Based on our review, nothing came to our attention that caused us to believe that management’s assertion referred to above is not fairly stated, in all material respects, based on [identify the criteria—for example, the ABC criteria referred to in the investment management agreement between XYZ Company and DEF Investment Managers, Ltd., dated November 15, 20X1].

This report is intended solely for the information and use of XYZ Company and [identify other specified parties—for example, DEF Investment Managers, Ltd.] and is not intended to be and should not be used by anyone other than these specified parties.

[Signature]
[Date]

[Paragraph renumbered by the issuance of SSAE No. 11, January 2002.]
AU-C Section 700 *

Forming an Opinion and Reporting on Financial Statements

Source: SAS No. 122.

Effective for audits of financial statements for periods ending on or after December 15, 2012.

Introduction

Scope of This Section

.01 This section addresses the auditor's responsibility to form an opinion on the financial statements. It also addresses the form and content of the auditor's report issued as a result of an audit of financial statements.

.02 This section is written in the context of a complete set of general purpose financial statements.

.03 Section 705, Modifications to the Opinion in the Independent Auditor's Report, and section 706, Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report, address how the form and content of the auditor's report are affected when the auditor expresses a modified opinion (a qualified opinion, an adverse opinion, or a disclaimer of opinion) or includes an emphasis-of-matter paragraph or other-matter paragraph in the auditor's report.

.04 Section 800, Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks, addresses special considerations when financial statements are prepared in accordance with a special purpose framework.¹ Section 805, Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement, addresses special considerations relevant to an audit of a single financial statement or of a specific element, account, or item of a financial statement. (Ref: par. .A1)

.05 Section 810, Engagements to Report on Summary Financial Statements, applies when an auditor is engaged to report separately on summary financial statements² derived from financial statements audited in accordance with generally accepted auditing standards (GAAS) by the same auditor. Section 730, Required Supplementary Information, addresses the auditor's responsibilities relating to information supplementary to the basic financial statements.

¹ See section 800, Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks, for a definition of special purpose framework.

² Paragraph .06 of section 810, Engagements to Report on Summary Financial Statements, defines the term summary financial statements.
Audit Conclusions and Reporting

statements that is required by a designated accounting standards setter to accompany such financial statements.

.06 Section 910, Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country, applies when an auditor practicing in the United States is engaged to report on financial statements that have been prepared in accordance with a financial reporting framework generally accepted in another country not adopted by a body designated by the Council of the AICPA (Council) to establish generally accepted accounting principles that are intended for use outside the United States.

.07 Section 510, Opening Balances—Initial Audit Engagements, Including Reaudit Engagements, applies when the financial statements of the prior period have been audited by a predecessor auditor or were not audited.

.08 This section promotes consistency in the auditor's report. Consistency in the auditor's report, when the audit has been conducted in accordance with GAAS, promotes credibility in the marketplace by making more readily identifiable those audits that have been conducted in accordance with recognized standards. Consistency also helps promote users' understanding and identification of unusual circumstances when they occur.

Effective Date

.09 This section is effective for audits of financial statements for periods ending on or after December 15, 2012.

Objectives

.10 The objectives of the auditor are to

a. form an opinion on the financial statements based on an evaluation of the audit evidence obtained, including evidence obtained about comparative financial statements or comparative financial information, and

b. express clearly that opinion on the financial statements through a written report that also describes the basis for that opinion. (Ref: par. .A2)

Definitions

.11 For purposes of GAAS, the following terms have the meanings attributed as follows:

Comparative financial statements. A complete set of financial statements for one or more prior periods included for comparison with the financial statements of the current period.

Comparative information. Prior period information presented for purposes of comparison with current period amounts or disclosures that is not in the form of a complete set of financial statements. Comparative information includes prior period information presented as condensed financial statements or summarized financial information.

3 See section 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards, for a definition of financial statements.
Condensed financial statements. Historical financial information\(^4\) that is presented in less detail than a complete set of financial statements, in accordance with an appropriate financial reporting framework. Condensed financial statements may be separately presented as unaudited financial information or may be presented as comparative information.

General purpose financial statements. Financial statements prepared in accordance with a general purpose framework. (Ref: par. .A3)

General purpose framework. A financial reporting framework designed to meet the common financial information needs of a wide range of users.

Unmodified opinion. The opinion expressed by the auditor when the auditor concludes that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.\(^5\)

.12 Reference to financial statements in this section means a complete set of general purpose financial statements, including the related notes. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial statements and what constitutes a complete set of financial statements.

Requirements

Forming an Opinion on the Financial Statements

.13 The auditor should form an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

.14 In order to form that opinion, the auditor should conclude whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion should take into account the following: (Ref: par. .A4)

a. The auditor's conclusion, in accordance with section 330, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained, about whether sufficient appropriate audit evidence has been obtained\(^6\)

b. The auditor's conclusion, in accordance with section 450, Evaluation of Misstatements Identified During the Audit, about whether uncorrected misstatements are material, individually or in aggregate\(^7\)

c. The evaluations required by paragraphs .15–.18

\(^4\) Paragraph .14 of section 200 defines the term historical financial information.

\(^5\) See section 200 for a definition of applicable financial reporting framework.

\(^6\) Paragraph .28 of section 330, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained.

\(^7\) Paragraph .11 of section 450, Evaluation of Misstatements Identified During the Audit.
The auditor should evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation should include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments. (Ref: par. .A5–.A7)

In particular, the auditor should evaluate whether, in view of the requirements of the applicable financial reporting framework

a. the financial statements adequately disclose the significant accounting policies selected and applied;

b. the accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;

c. the accounting estimates made by management are reasonable;

d. the information presented in the financial statements is relevant, reliable, comparable, and understandable;

e. the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and (Ref: par. .A8)

f. the terminology used in the financial statements, including the title of each financial statement, is appropriate.

The auditor's evaluation about whether the financial statements achieve fair presentation should also include consideration of the following:

a. The overall presentation, structure, and content of the financial statements

b. Whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation (Ref: par. .A9)

The auditor should evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework. (Ref: par. .A10–.A13)

Form of Opinion

The auditor should express an unmodified opinion when the auditor concludes that the financial statements are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

The auditor should modify the opinion in the auditor's report, in accordance with section 705, if the auditor

a. concludes that, based on the audit evidence obtained, the financial statements as a whole are materially misstated or

b. is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

If the auditor concludes that the financial statements do not achieve fair presentation, the auditor should discuss the matter with management and, depending on how the matter is resolved, should determine whether it is necessary to modify the opinion in the auditor's report in accordance with section 705. (Ref: par. .A14–.A15)

Auditor's Report

The auditor's report should be in writing. (Ref: par. .A16–.A17)
Auditor's Report for Audits Conducted in Accordance With GAAS

Title

.23 The auditor's report should have a title that includes the word independent to clearly indicate that it is the report of an independent auditor. (Ref: par. .A18)

Addressee

.24 The auditor's report should be addressed as required by the circumstances of the engagement. (Ref: par. .A19)

Introductory Paragraph

.25 The introductory paragraph in the auditor's report should (Ref: par. .A20–.A23)

a. identify the entity whose financial statements have been audited,

b. state that the financial statements have been audited,

c. identify the title of each statement that the financial statements comprise, and

d. specify the date or period covered by each financial statement that the financial statements comprise.

Management's Responsibility for the Financial Statements

.26 The auditor's report should include a section with the heading "Management's Responsibility for the Financial Statements."

.27 The auditor's report should describe management's responsibility for the preparation and fair presentation of the financial statements. The description should include an explanation that management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. (Ref: par. .A24)

.28 The description about management's responsibility for the financial statements in the auditor's report should not be referenced to a separate statement by management about such responsibilities if such a statement is included in a document containing the auditor's report. (Ref: par. .A25)

Auditor's Responsibility

.29 The auditor's report should include a section with the heading "Auditor's Responsibility."

.30 The auditor's report should state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit. (Ref: par. .A26)

.31 The auditor's report should state that the audit was conducted in accordance with generally accepted auditing standards and should identify the United States of America as the country of origin of those standards. The auditor's report should also explain that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. (Ref: par. .A27–.A28)

.32 The auditor's report should describe an audit by stating that

a. an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.
Audit Conclusions and Reporting

b. the procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed.

c. an audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor should omit the phrase required in paragraph .32b that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control, and accordingly, no such opinion is expressed.

.33 The auditor's report should state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

Auditor's Opinion

.34 The auditor's report should include a section with the heading "Opinion."

.35 When expressing an unmodified opinion on financial statements, the auditor's opinion should state that the financial statements present fairly, in all material respects, the financial position of the entity as of the balance sheet date and the results of its operations and its cash flows for the period then ended, in accordance with the applicable financial reporting framework. (Ref: par. .A9 and .A29–.A30)

.36 The auditor's opinion should identify the applicable financial reporting framework and its origin. (Ref: par. .A31)

Other Reporting Responsibilities

.37 If the auditor addresses other reporting responsibilities in the auditor's report on the financial statements that are in addition to the auditor's responsibility under GAAS to report on the financial statements, these other reporting responsibilities should be addressed in a separate section in the auditor's report that should be subtitled "Report on Other Legal and Regulatory Requirements" or otherwise, as appropriate to the content of the section. (Ref: par. .A32–.A33)

.38 If the auditor's report contains a separate section on other reporting responsibilities, the headings, statements, and explanations referred to in paragraphs .25–.36 should be under the subtitle "Report on the Financial Statements." The "Report on Other Legal and Regulatory Requirements" should follow the "Report on the Financial Statements." (Ref: par. .A34)

Signature of the Auditor

.39 The auditor's report should include the manual or printed signature of the auditor's firm. (Ref: par. .A35–.A36)
Auditor’s Address

.40 The auditor's report should name the city and state where the auditor practices. (Ref: par. .A37)

Date of the Auditor’s Report

.41 The auditor's report should be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that

a. the audit documentation has been reviewed;

b. all the statements that the financial statements comprise, including the related notes, have been prepared; and

c. management has asserted that they have taken responsibility for those financial statements. (Ref: par. .A38–.A41)

Auditor’s Report for Audits Conducted in Accordance With Both GAAS and Another Set of Auditing Standards

.42 Paragraph .31 requires that the auditor's report state that the audit was conducted in accordance with GAAS and identify the United States of America as the country of origin of those standards. However, an auditor may indicate that the audit was also conducted in accordance with another set of auditing standards (for example, International Standards on Auditing (ISAs), the standards of the Public Company Accounting Oversight Board, or Government Auditing Standards). The auditor should not refer to having conducted an audit in accordance with another set of auditing standards in addition to GAAS, unless the audit was conducted in accordance with both sets of standards in their entirety. (Ref: par. .A42)

.43 When the auditor's report refers to both GAAS and another set of auditing standards, the auditor's report should identify the other set of auditing standards, as well as their origin.

Comparative Financial Statements and Comparative Information

.44 Comparative financial statements may be required by the applicable financial reporting framework, or management may elect to provide such information. When comparative financial statements are presented, the auditor's report should refer to each period for which financial statements are presented and on which an audit opinion is expressed. (Ref: par. .A43–.A44)

.45 When expressing an opinion on all periods presented, a continuing auditor should update the report on the financial statements of one or more prior periods presented on a comparative basis with those of the current period. The auditor's report on comparative financial statements should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to support the opinion for the most recent audit. (Ref: par. .A45–.A46)

.46 If comparative information is presented but not covered by the auditor's opinion, the auditor should clearly indicate in the auditor's report the character of the auditor's work, if any, and the degree of responsibility the auditor is taking. (Ref: par. .A47–.A48)

.47 If comparative information is presented and the entity requests the auditor to express an opinion on all periods presented, the auditor should consider whether the information included for the prior period(s) contains sufficient
Audit Conclusions and Reporting

detail to constitute a fair presentation in accordance with the applicable financial reporting framework. (Ref: par. .A49)

Audit Procedures

.48 The auditor should perform the procedures required by paragraphs .49–.51 if comparative financial statements or comparative information is presented for the prior period(s).

.49 The auditor should determine whether the comparative financial statements or comparative information has been presented in accordance with the relevant requirements, if any, of the applicable financial reporting framework.

.50 The auditor should evaluate whether

a. the comparative financial statements or comparative information agree with the amounts and other disclosures presented in the prior period or, when appropriate, has been restated for the correction of a material misstatement or adjusted for the retrospective application of an accounting principle, and

b. the accounting policies reflected in the comparative financial statements or comparative information are consistent with those applied in the current period or if there have been changes in accounting policies, whether those changes have been properly accounted for and adequately presented and disclosed.8

.51 If the auditor becomes aware of a possible material misstatement in the comparative financial statements or comparative information while performing the current period audit, the auditor should perform such additional audit procedures as are necessary in the circumstances to obtain sufficient appropriate audit evidence to determine whether a material misstatement exists. If the auditor audited the prior period's financial statements and becomes aware of a material misstatement in those financial statements, the auditor should also follow the relevant requirements of section 560, Subsequent Events and Subsequently Discovered Facts. If the prior period financial statements are restated, the auditor should determine that the comparative financial statements or comparative information agree with the restated financial statements.

.52 As required by section 580, Written Representations, the auditor should request written representations for all periods referred to in the auditor's opinion. The auditor also should obtain a specific written representation regarding any restatement made to correct a material misstatement in a prior period that affects the comparative financial statements. (Ref: par. .A50)

.53 When reporting on prior period financial statements in connection with the current period's audit, if the auditor's opinion on such prior period financial statements differs from the opinion the auditor previously expressed, the auditor should disclose the following matters in an emphasis-of-matter or other-matter paragraph, in accordance with section 706:

a. The date of the auditor's previous report
b. The type of opinion previously expressed
c. The substantive reasons for the different opinion
d. That the auditor's opinion on the amended financial statements is different from the auditor's previous opinion (Ref: par. .A51)

8 See section 708, Consistency of Financial Statements.
Prior Period Financial Statements Audited by a Predecessor Auditor

.54 If the financial statements of the prior period were audited by a predecessor auditor, and the predecessor auditor's report on the prior period's financial statements is not reissued,9 in addition to expressing an opinion on the current period's financial statements, the auditor should state the following in an other-matter paragraph:10

a. That the financial statements of the prior period were audited by a predecessor auditor

b. The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore

c. The nature of an emphasis-of-matter paragraph or other-matter paragraph included in the predecessor auditor's report, if any

d. The date of that report

.55 If the auditor concludes that a material misstatement exists that affects the prior period financial statements on which the predecessor auditor had previously reported without modification, the auditor should follow the communication requirements in section 510.11 If the prior period financial statements are restated, and the predecessor auditor agrees to issue a new auditor's report on the restated financial statements of the prior period, the auditor should express an opinion only on the current period. (Ref: par. .A52)

Prior Period Financial Statements Not Audited

.56 When current period financial statements are audited and presented in comparative form with compiled or reviewed financial statements for the prior period, and the report on the prior period is not reissued, the auditor should include an other-matter paragraph12 in the current period auditor's report that includes the following:

a. The service performed in the prior period

b. The date of the report on that service

c. A description of any material modifications noted in that report

d. A statement that the service was less in scope than an audit and does not provide the basis for the expression of an opinion on the financial statements (Ref: par. .A53–.A54)

.57 If the prior period financial statements were not audited, reviewed, or compiled, the financial statements should be clearly marked to indicate their status, and the auditor's report should include an other-matter paragraph to indicate that the auditor has not audited, reviewed, or compiled the prior period financial statements and that the auditor assumes no responsibility for them. (Ref: par. .A55)

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9 Paragraphs .19–.20 of section 560, Subsequent Events and Subsequently Discovered Facts.


12 See section 706.
Information Presented in the Financial Statements
(Ref: par. .A56–.A57)

.58 Information that is not required by the applicable financial reporting framework but is nevertheless presented as part of the basic financial statements should be covered by the auditor's opinion if it cannot be clearly differentiated.

Application and Other Explanatory Material

Scope of This Section (Ref: par. .04)

.A1 Section 800 also addresses the auditor's responsibilities when the auditor is reporting on financial statements prepared in accordance with a special purpose framework and is required by law or regulation to use a specific layout, form, or wording of the auditor's report. When reporting on financial statements prepared in accordance with a general purpose framework, and law or regulation requires a specific layout, form, or wording of the auditor's report, the auditor may adapt and apply the requirements in section 800.

Objectives

Considerations Specific to Governmental Entities (Ref: par. .10)

.A2 For audits of governmental entities, the objectives of a financial statement audit are often broader than forming and expressing an opinion on the financial statements. Law, regulation, and Government Auditing Standards require that the auditor satisfy additional objectives. These additional objectives include audit and reporting responsibilities, for example, relating to reporting instances of noncompliance with applicable laws and regulations or reporting material weaknesses and significant deficiencies in internal control noted during the audit. Such reporting on compliance and internal control is an integral part of a Government Auditing Standards audit.

Definitions

General Purpose Financial Statements

Considerations Specific to Governmental Entities (Ref: par. .11)

.A3 For audits of governmental entities, the term general purpose financial statements, in the context of this section, would be considered or referred to as basic financial statements using the terms in the governmental entity's applicable financial reporting framework.

Forming an Opinion on the Financial Statements (Ref: par. .14)

Considerations Specific to Governmental Entities

.A4 For most state or local governmental entities, the applicable financial reporting framework is based on multiple reporting units and, therefore, requires the presentation of financial statements for its activities in various reporting units. Consequently, a reporting unit, or aggregation of reporting units, of the governmental entity represents an opinion unit to the auditor. In the context of this section, the auditor is responsible for forming an opinion on the financial statements for each opinion unit within a governmental entity.
Qualitative Aspects of the Entity's Accounting Practices (Ref: par. .15)

Management makes a number of judgments about the amounts and disclosures in the financial statements.

Section 260, The Auditor's Communication With Those Charged With Governance, contains a discussion of the qualitative aspects of accounting practices. In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in management's judgments. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements, causes the financial statements as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor's evaluation of whether the financial statements as a whole are materially misstated include the following:

- The selective correction of misstatements brought to management's attention during the audit (for example, correcting misstatements with the effect of increasing reported earnings but not correcting misstatements that have the effect of decreasing reported earnings)
- Possible management bias in the making of accounting estimates

Section 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures, addresses possible management bias in making accounting estimates. Indicators of possible management bias, themselves, do not constitute misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the auditor's evaluation of whether the financial statements as a whole are free from material misstatement.

Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Statements (Ref: par. .16e)

It is common for financial statements prepared in accordance with a general purpose framework to present an entity's financial position, results of operations, and cash flows. In such circumstances, paragraph .16e requires the auditor to evaluate whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions and events on the entity's financial position, results of operations, and cash flows.

Evaluation of Whether the Financial Statements Achieve Fair Presentation (Ref: par. .17b)

As described in section 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards, a financial reporting framework is a set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items appearing in the financial statements. The auditor's professional judgment concerning the fairness of the presentation of the financial statements is applied within the context of the financial reporting framework. Without that framework, the auditor would have no consistent standard for evaluating the presentation of financial position, results of operations, and cash flows in financial statements.

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Audit Conclusions and Reporting

Description of the Applicable Financial Reporting Framework (Ref: par. .18)

.A10 As explained in section 200, the preparation and fair presentation of the financial statements by management and, when appropriate, those charged with governance requires the inclusion of an adequate description of the applicable financial reporting framework in the financial statements.\(^{14}\) That description is important because it advises users of the financial statements of the framework on which the financial statements are based.

.A11 A description that the financial statements are prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial statements comply with all the requirements of that framework that are effective during the period covered by the financial statements.

.A12 A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (for example, "the financial statements are in substantial compliance with International Financial Reporting Standards") is not an adequate description of that framework because it may mislead users of the financial statements.

.A13 Financial statements that are prepared in accordance with one financial reporting framework and that contain a note or supplementary statement reconciling the results to those that would be shown under another framework are not prepared in accordance with that other framework. This is because the financial statements do not include all the information in the manner required by that other framework. The financial statements may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial statements comply with another framework. Such information may not be required by the applicable financial reporting framework but may be presented as part of the basic financial statements. As discussed in paragraph .58, such information is considered an integral part of the financial statements if it cannot be clearly differentiated and, accordingly, is covered by the auditor's opinion.

Form of Opinion (Ref: par. .21)

.A14 There may be cases when the financial statements, although prepared in accordance with the requirements of a fair presentation framework, do not achieve fair presentation. When this is the case, it may be possible for management to include additional disclosures in the financial statements beyond those specifically required by the framework or, in unusual circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial statements, which would be extremely rare.

.A15 Rule 203, Accounting Principles, of the AICPA Code of Professional Conduct states the following:

A member shall not (1) express an opinion or state affirmatively that the financial statements or other financial data of any entity are presented in conformity with generally accepted accounting principles or (2) state that he or she is not aware of any material modifications that should be made to such statements or data in order for them to be in conformity with generally accepted accounting principles, if such statements or data contain any departure from an accounting principle promulgated by bodies designated by Council to establish such principles that has a material effect on the statements or data taken as a whole.

\(^{14}\) Paragraphs .A2–.A3 of section 200.
If, however, the statements or data contain such a departure and the member can demonstrate that due to unusual circumstances the financial statements or data would otherwise have been misleading, the member can comply with the rule by describing the departure, its approximate effects, if practicable, and the reasons why compliance with the principle would result in a misleading statement.

**Auditor’s Report (Ref: par. .22)**

.A16 A written report encompasses reports issued in hard copy format and those using an electronic medium.

.A17 The exhibit "Illustrations of Auditor's Reports on Financial Statements" contains illustrations of auditor's reports on financial statements incorporating the elements required by paragraphs .23–.41.

**Auditor’s Report for Audits Conducted in Accordance With GAAS**

*Title (Ref: par. .23)*

.A18 A title indicating the report is the report of an independent auditor (for example, "Independent Auditor's Report") affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor's report from reports issued by others. Section 200 provides guidance on reporting when the auditor is not independent.

*Addressee (Ref: par. .24)*

.A19 The auditor's report is normally addressed to those for whom the report is prepared. The report may be addressed to the entity whose financial statements are being audited or to those charged with governance. A report on the financial statements of an unincorporated entity may be addressed as circumstances dictate (for example, to the partners, general partner, or proprietor). Occasionally, an auditor may be retained to audit the financial statements of an entity that is not a client; in such a case, the report may be addressed to the client and not to those charged with governance of the entity whose financial statements are being audited.

*Introductory Paragraph (Ref: par. .25)*

.A20 The introductory paragraph states, for example, that the auditor has "audited the accompanying financial statements of ABC Company, which comprise the balance sheet as of December 31, 20X1, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements." If the financial statements include a separate statement of changes in stockholders' equity accounts or a separate statement of comprehensive income, paragraph .25c requires such statements to be identified in the introductory paragraph of the report as a statement to which the financial statements are comprised, but they need not be reported on separately in the opinion paragraph because changes in stockholders' equity accounts and comprehensive income are considered part of the presentation of financial position, results of operations, and cash flows.

.A21 When the auditor is aware that the audited financial statements will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial statements are presented. This helps users identify the financial statements to which the auditor's report relates.
Audit Conclusions and Reporting

.A22 The auditor's opinion covers the complete set of financial statements, as defined by the applicable financial reporting framework. For example, in the case of many general purpose frameworks, the financial statements include a balance sheet; an income statement; a statement of changes in equity; and a cash flow statement, including related notes. In some circumstances, additional or different statements, schedules, or information also might be considered to be an integral part of the financial statements.

.A23 The identification of the title for each statement that the financial statements comprise may be achieved by referencing the table of contents.

Management's Responsibility for the Financial Statements (Ref: par. .27–.28)

.A24 Section 200 explains the premise relating to the responsibilities of management and, when appropriate, those charged with governance on which an audit in accordance with GAAS is conducted.\textsuperscript{15} Management and, when appropriate, those charged with governance accept responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including their fair presentation. Management also accepts responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The description of management's responsibilities in the auditor's report includes reference to both responsibilities because it helps explain to users the premise on which an audit is conducted.

.A25 In some instances, a document containing the auditor's report may include a separate statement by management regarding its responsibility for the preparation of the financial statements. Any elaboration in the auditor's report about management's responsibilities regarding the preparation of the financial statements, or reference to a separate statement by management about such responsibilities if one is included in a document containing the auditor's report, may lead users to erroneously believe that the auditor is providing assurances about representations made by management about their responsibility for financial reporting, internal control, and other matters that might be discussed in the management report.

Auditor's Responsibility (Ref: par. .30–.31)

.A26 The auditor's report states that the auditor's responsibility is to express an opinion on the financial statements based on the audit in order to contrast it to management's responsibility for the preparation of the financial statements.

.A27 The reference to the standards used conveys to the users of the auditor's report that the audit has been conducted in accordance with established standards. For example, the auditor's report may refer to auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards.

.A28 In accordance with section 200, the auditor does not represent compliance with GAAS in the auditor's report, unless the auditor has complied with the requirements of section 200 and all other AU-C sections relevant to the audit.\textsuperscript{16}

\textsuperscript{15} Paragraphs .05 and .A2 of section 200.

\textsuperscript{16} Paragraph .22 of section 200.
Auditor's Opinion (Ref: par. .35)

.A29 Description of information that the financial statements present. The auditor's opinion states that the financial statements present fairly, in all material respects, the information that the financial statements are designed to present.

.A30 The title of the financial statements identified in the introductory paragraph of the auditor's report (see paragraph .25) describes the information that is the subject of the auditor's opinion.

.A31 Description of the applicable financial reporting framework and how it may affect the auditor's opinion (Ref: par. .36). The identification of the applicable financial reporting framework in the auditor's opinion is intended to advise users of the auditor's report of the context in which the auditor's opinion is expressed; it is not intended to limit the evaluation required in paragraph .17. For example, the applicable financial reporting framework may be identified as accounting principles generally accepted in the United States of America or U.S. generally accepted accounting principles or International Financial Reporting Standards promulgated by the International Accounting Standards Board (IASB) or International Financial Reporting Standard for Small and Medium-Sized Entities promulgated by the IASB.

Other Reporting Responsibilities (Ref: par. .37–.38)

.A32 In some circumstances, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility under GAAS to report on the financial statements. The form and content of the "Other Reporting Responsibilities" section of the auditor's report described in paragraph .37 will vary depending on the nature of the auditor's other reporting responsibilities. For example, for audits conducted under Government Auditing Standards, the auditor may be required to report on internal control over financial reporting and compliance with laws, regulations, and provisions of contracts or grant agreements, which may be included in the "Other Reporting Responsibilities" section of the auditor's report. However, when the auditor is engaged or required by law or regulation to perform a compliance audit in accordance with GAAS, Government Auditing Standards, and a governmental audit requirement, reporting requirements in section 935, Compliance Audits, apply.

.A33 In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities within the auditor's report on the financial statements. In other cases, the auditor may be required or permitted to report on them in a separate report.

.A34 These other reporting responsibilities are addressed in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibility under GAAS to report on the financial statements. When relevant, this section may contain subheading(s) that describe(s) the content of the other reporting responsibility paragraph(s).

Signature of the Auditor (Ref: par. .39)

.A35 In certain situations, the auditor's report may be required by law or regulation to include the personal name and signature of the auditor, in addition to the auditor's firm. In addition to the auditor's signature, in certain circumstances, the auditor may be required to declare in the auditor's report the

17 See the AICPA Audit and Accounting Guide State and Local Governments for illustrative auditor reports.
Considerations specific to governmental entities. This section would not preclude a governmental auditor from including the personal name and signature of the auditor in the auditor's report when, in certain situations, the governmental auditor is required by law or regulation or chooses to do so.

**Auditor's Address (Ref: par. .40)**

In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.

**Date of the Auditor's Report (Ref: par. .41)**

The date of the auditor's report informs the user of the auditor's report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in section 560.

Section 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*, requires that on or before the date of the auditor's report, the engagement partner, through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued. Section 220 also requires that the auditor's report not be released prior to the completion of the engagement quality control review.

Because the auditor's opinion is provided on the financial statements, and the financial statements are the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that the financial statements comprise, including the related notes, have been prepared, and management has accepted responsibility for them.

Considerations specific to governmental entities. In some circumstances, final approval of the financial statements by governmental legislative bodies (or subsets of such legislative bodies) is required before the financial statements are issued. In these circumstances, final approval by such legislative bodies (or subsets of such legislative bodies) is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial statements, for purposes of GAAS, is the earlier date on which those with the recognized authority determine that all the statements that the financial statements comprise, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for them.

**Auditor's Report for Audits Conducted in Accordance With Both GAAS and Another Set of Auditing Standards (Ref: par. .42)**

If the audit is performed in accordance with both GAAS and ISAs, the auditor may find it helpful to refer to AU-C appendix B, "Substantive Differences Between the International Standards on Auditing and Generally Accepted Auditing Standards." This appendix summarizes substantive differences.
between the ISAs and GAAS to assist the auditor in planning and performing an engagement in accordance with ISAs.

**Comparative Financial Statements and Comparative Information**

**Comparative Financial Statements (Ref: par. .44–.45)**

.A43 The level of information included for the prior periods in comparative financial statements is comparable with that of the financial statements of the current period.

.A44 Because the auditor's report on comparative financial statements applies to the financial statements for each of the periods presented, the auditor may express a qualified opinion or an adverse opinion, disclaim an opinion, or include an emphasis-of-matter paragraph with respect to one or more financial statements for one or more periods while expressing a different auditor's opinion on one or more financial statements of another period presented.

**Updating the Report**

.A45 An updated report on prior period financial statements is distinguished from a reissuance of a previous report.\(^{20}\) When issuing an updated report, the information considered by the continuing auditor is that which the auditor has become aware of during the audit of the current period financial statements. In addition, an updated report is issued in conjunction with the auditor's report on the current period financial statements.

**Other Considerations Relating to Comparative Financial Statements**

.A46 If one firm of independent auditors merges with another firm, and the new firm becomes the auditor of a former client of one of the two former firms, the new firm may accept responsibility and express an opinion on the financial statements for the prior period(s), as well as for those of the current period. In such circumstances, paragraphs .44–.57 apply. The new firm may indicate in the auditor's report or as part of the signature that a merger took place and may name the firm of independent auditors that was merged with it. If the new firm decides not to express an opinion on the prior period financial statements, the guidance for the reissuance of reports in section 560 would apply.

**Comparative Information (Ref: par. .46–.47)**

.A47 Comparative information, which may be condensed financial statements or prior period summarized financial information, is not considered comparative financial statements because it is not a complete set of financial statements. For example, entities such as state and local governmental units frequently present total-all-funds information for the prior periods rather than information by individual funds because of space limitations or to avoid cumbersome or confusing formats. Also, not-for-profit organizations frequently present certain summarized financial information for the prior period(s) in total rather than by net asset class. Accordingly, the auditor need not opine on comparative information in accordance with this section.

.A48 Paragraph .46 requires the auditor to clearly indicate the character of the auditor's work, if any, and the degree of responsibility the auditor is taking in the auditor's report when comparative information is presented but not covered by the auditor's opinion on the financial statements of the current

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\(^{20}\) See section 560.
period. The requirements and guidance in section 930, *Interim Financial Information*, may be adapted to report on condensed financial statements or prior period summarized financial information that is derived from audited financial statements and is presented comparatively with the complete set of financial statements of the current period.\(^{21,22}\) The exhibit provides examples of auditor's reports when comparative summarized financial information for the prior period is presented.\(^{23}\)

**Written Representations (Ref: par. .52)**

If an entity requests the auditor to express an opinion on all periods presented, and comparative information is presented for one or more prior periods, in most cases, this will necessitate including additional columns or separate detail by fund or net asset class, or the auditor may need to modify the auditor's opinion, as required by section 705.

**Opinion on Prior Period Financial Statements Different From Previous Opinion (Ref: par. .53)**

When reporting on the prior period financial statements in connection with the current period’s audit, the opinion expressed on the prior period financial statements may be different from the opinion previously expressed if the auditor becomes aware of circumstances or events that materially affect the financial statements of a prior period during the course of the audit of the current period. In some circumstances, the auditor may have additional reporting responsibilities designed to prevent future reliance on the auditor's previously issued report on the prior period financial statements.\(^{24}\)

**Prior Period Financial Statements Audited by a Predecessor Auditor (Ref: par. .55)**

The predecessor auditor may be unable or unwilling to reissue the auditor's report on the prior period financial statements that have been restated. In this situation, provided that the auditor has audited the adjustments to the prior period financial statements, the auditor may include an other-matter paragraph\(^ {25}\) in the auditor's report indicating that the predecessor auditor reported on the financial statements of the prior period before restatement. In addition, if the auditor is engaged to audit and obtains sufficient appropriate audit evidence to be satisfied about the appropriateness of the restatement, the auditor's report may also include the following paragraph within the other-matter paragraph section:

As part of our audit of the 20X2 financial statements, we also audited the adjustments described in Note X that were applied to restate the 20X1 financial

\(^{21}\) Paragraph .33 of section 930, *Interim Financial Information*.

\(^{22}\) See the AICPA Audit and Accounting Guides *State and Local Governments* and *Not-for-Profit Entities* for further guidance on reporting on summarized comparative financial information.


\(^{24}\) See section 560.

\(^{25}\) See section 706.
statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 20X1 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 20X1 financial statements as a whole.

**Prior Period Financial Statements Not Audited (Ref: par. .56–.57)**

.A53 If the prior period financial statements were reviewed, the following is an example of an other-matter paragraph:

*Other Matter*

The 20X1 financial statements were reviewed by us (other accountants) and our (their) report thereon, dated March 1, 20X2, stated we (they) were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

.A54 If the prior period financial statements were compiled, the following is an example of an other-matter paragraph:

*Other Matter*

The 20X1 financial statements were compiled by us (other accountants) and our (their) report thereon, dated March 1, 20X2, stated we (they) did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

.A55 If the prior period financial statements were not audited, reviewed, or compiled, the following is an example of an other-matter paragraph:

*Other Matter*

The accompanying balance sheet of X Company as of December 31, 20X1, and the related statements of income and cash flows for the year then ended were not audited, reviewed, or compiled by us and, accordingly, we do not express an opinion or any other form of assurance on them.

**Information Presented in the Financial Statements (Ref: par. .58)**

.A56 In some circumstances, the entity may be required by law, regulation, or standards, or may voluntarily choose, to include in the basic financial statements information that is not required by the applicable financial reporting framework. The auditor's opinion covers information that cannot be clearly differentiated from the financial statements because of its nature and how it is presented.

.A57 If the information included in the basic financial statements is not required by the applicable financial reporting framework and is not necessary for fair presentation but is clearly differentiated, then such information may be identified as *unaudited* or as *not covered by the auditor’s report*. 
Exhibit—Illustrations of Auditor’s Reports on Financial Statements (Ref: par. .A17)

Illustration 1—An Auditor's Report on Consolidated Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Illustration 2—An Auditor's Report on a Single Year Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Illustration 3—An Auditor's Report on Consolidated Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When the Audit Has Been Conducted in Accordance With Both Auditing Standards Generally Accepted in the United States of America and International Standards on Auditing


Illustration 1—An Auditor’s Report on Consolidated Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America

Circumstances include the following:

- Audit of a complete set of general purpose consolidated financial statements (comparative).
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor’s Report

[Appropriate Addressee]

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ABC Company and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 20X1 and 20X0, and the related consolidated statements of income, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness

1 The subtitle “Report on the Financial Statements” is unnecessary in circumstances when the second subtitle, “Report on Other Legal and Regulatory Requirements,” is not applicable.

2 In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the consolidated financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances.” In addition, the next sentence, “Accordingly, we express no such opinion.” would not be included.
of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABC Company and its subsidiaries as of December 31, 20X1 and 20X0, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]
**Illustration 2—An Auditor’s Report on a Single Year Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America**

Circumstances include the following:

- Audit of a complete set of general purpose financial statements (single year).
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditor’s Report**

[Appropriate Addressee]

**Report on the Financial Statements**

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as of December 31, 20X1, and the related statements of income, changes in stockholders’ equity, and cash flows for the year then ended, and the related notes to the financial statements.

**Management’s Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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1 The subtitle "Report on the Financial Statements" is unnecessary in circumstances when the second subtitle, "Report on Other Legal and Regulatory Requirements," is not applicable.

2 In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In addition, the next sentence, "Accordingly, we express no such opinion." would not be included.
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Company as of December 31, 20X1, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]
Illustration 3—An Auditor’s Report on Consolidated Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When the Audit Has Been Conducted in Accordance With Both Auditing Standards Generally Accepted in the United States of America and International Standards on Auditing

Circumstances include the following:

- Audit of a complete set of general purpose financial statements (comparative).
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.
- The financial statements are audited in accordance with auditing standards generally accepted in the United States of America and International Standards on Auditing.

Independent Auditor’s Report

[Appropriate Addressee]

Report on the Financial Statements¹

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheets as of December 31, 20X1 and 20X0, and the related statements of income, changes in stockholders’ equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

¹ The subtitle “Report on the Financial Statements” is unnecessary in circumstances when the second subtitle, “Report on Other Legal and Regulatory Requirements,” is not applicable.
entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Company as of December 31, 20X1 and 20X0, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Other Legal and Regulatory Requirements**

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

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

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2 In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In addition, the next sentence, "Accordingly, we express no such opinion." would not be included.

Circumstances include the following:

- Audit of a complete set of general purpose financial statements (single year).
- Prior year summarized comparative financial information derived from audited financial statements is presented.
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor’s Report

[Appropriate Addressee]

Report on the Financial Statements

We have audited the accompanying financial statements of XYZ Not-for-Profit Organization, which comprise the statement of financial position as of September 30, 20X1, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

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1 The subtitle “Report on the Financial Statements” is unnecessary in circumstances when the second subtitle, “Report on Other Legal and Regulatory Requirements,” is not applicable.
2 In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control (continued)
Audit Conclusions and Reporting

policies used and the reasonableness of significant accounting estimates made
by management, as well as evaluating the overall presentation of the financial
statements.

We believe that the audit evidence we have obtained is sufficient and appropriate
to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all
material respects, the financial position of XYZ Not-for-Profit Organization as of
September 30, 20X1, and the changes in its net assets and its cash flows for the
year then ended in accordance with accounting principles generally accepted
in the United States of America.

Report on Summarized Comparative Information

We have previously audited the XYZ Not-for-Profit Organization's 20X0 finan-
cial statements, and we expressed an unmodified audit opinion on those audited
financial statements in our report dated December 15, 20X0. In our opinion, the
summarized comparative information presented herein as of and for the year
ended September 30, 20X0 is consistent, in all material respects, with the au-
dited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]
Illustration 5—An Auditor’s Report on a Single Year Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America When Comparative Summarized Financial Information Derived From Unaudited Financial Statements for the Prior Year Is Presented

Circumstances include the following:

- Audit of a complete set of general purpose financial statements (single year).
- Prior year summarized comparative financial information derived from unaudited financial statements is presented.
- The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor’s Report

Report on the Financial Statements

We have audited the accompanying financial statements of XYZ Not-for-Profit Organization, which comprise the statement of financial position as of September 30, 20X1, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting

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1 The subtitle “Report on the Financial Statements” is unnecessary in circumstances when the second subtitle, “Report on Other Legal and Regulatory Requirements,” is not applicable.

2 In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control (continued)
policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XYZ Not-for-Profit Organization as of September 30, 20X1, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

The summarized comparative information presented herein as of and for the year ended September 30, 20X0, derived from those unaudited financial statements, has not been audited, reviewed, or compiled and, accordingly, we express no opinion on it.

**Report on Other Legal and Regulatory Requirements**

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

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]