Public Accounting Report Basics

Reporting on an Audit:

**Critical:** Memorize the standard audit report. Even though recent exams have not required writing a standard report, expect a significant number of questions about standard and modified reports.

I. **Summary of Departures from an Unqualified Report.**
   
   A. Unqualified opinion with separate paragraph:
      1. Consistency
      2. Going concern
      3. Change in opinion
      4. Emphasis of a matter
   
   B. Unqualified opinions with explanatory language but no separate paragraph.
      1. Part of audit performed by other auditors.
      2. Predecessor’s report on comparative statements not presented.
   
   C. Qualified opinions:
      1. Material scope limitation.
      2. Material departure from GAAP (including inadequate disclosures).
   
   D. Adverse opinions: Highly material departure from GAAP.
   
   E. Disclaimers of opinion:
      1. Material scope limitation.
      2. Association with unaudited financial statements.
      3. Lack of independence.
      4. Going concern.

<table>
<thead>
<tr>
<th>Type of report</th>
<th>Condition</th>
<th>Materiality</th>
<th>Report changes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adverse (know F/Ss not fairly presented)</td>
<td>Departure from GAAP</td>
<td>Highly material</td>
<td>Par. 1 &amp; 2 same Add 3rd paragraph Opinion par – adversely worded</td>
</tr>
<tr>
<td>Disclaimer (no conclusion – don’t know)</td>
<td>Limitation of Scope</td>
<td>Highly material</td>
<td>Change intro Omit scope par. Add 2 new par. Opinion par – disclaim opinion</td>
</tr>
<tr>
<td></td>
<td>Lack of independence</td>
<td>N/A (any lack is highly material)</td>
<td>No report title, One standard paragraph</td>
</tr>
<tr>
<td>Qualified (fairly stated “except for” certain items)</td>
<td>Departure from GAAP</td>
<td>Material</td>
<td>1 and 2 same Add 3rd para. Change opinion par.</td>
</tr>
<tr>
<td></td>
<td>Limitation of Scope</td>
<td>material</td>
<td>Intro. same Change scope and opinion Add 3rd para.</td>
</tr>
<tr>
<td>Other auditor –</td>
<td>- no responsibility</td>
<td>- matrl. qualification</td>
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</table>
II. GAAS – Reporting Standards

A. The report shall state whether the financial statements are presented in accordance with GAAP.
   a. GAAP includes –
   b. Financial statements should
      • Use principles that have general acceptance.
      • Use principles that are appropriate in the circumstances.
      • Include adequate disclosure.
      • Classify and summarize information in a reasonable manner.
      • Reflect underlying events and transactions within an acceptable range.
   c. GAAP hierarchy for nongovernmental entities.
      • Established accounting principles:
         * FASB Statements and Interpretations, APB Opinions, AICPA ARBs.
         * FASB Technical Bulletins, AICPA Industry Audit and Accounting Guides (FASB approved), and AICPA Statements of Position (FASB approved).
         * Consensus positions of the FASB Emerging Issues Task Force and AICPA Practice Bulletins.
         * AICPA accounting interpretations, etc.
      • Other accounting literature:
         * FASB Concepts Statements; APB Statements; AICPA issue papers; International Accounting Standards Committee Statements; GASB Statements; Interpretations, etc.; textbooks, handbooks, articles, etc.
   d. Conduct Rule 203 prohibits non-GAAP, unless justified, reported, and disclosed.

B. The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.

C. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.

D. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases in which an auditor’s name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor’s work, if any, and the degree of responsibility the auditor is taking.

   If an auditor is aware that his/her name is to be associated with financial statements of a public entity that he/she has not audited or reviewed the auditor should request that either his/her name is not included in the communication or that the financial statements are marked unaudited and include a disclaimer from the auditor.

Comparative or non-comparative.

May have different opinions on different statements.

May report on one financial statement. Refer only to statement being audited.

Financial statements reported on should be listed in the introductory paragraph.
   • If the basic financial statements include a separate statement of changes in stockholders’ equity accounts, it should be identified in the introductory paragraph but need not be reported in the opinion paragraph since financial position, results of operations, and cash flows would include those changes.
III. Auditor’s Standard Unqualified Report

A. Memorize the report (public vs. private, public – combined vs. separate report on ICs).

B. Components
   1. Salutation – Stockholders and/or Board of Directors
   2. Introductory paragraph
      • Identify financial statements and periods.
      • Management responsible for preparation.
      • Auditor responsible for opinion.
   3. Scope paragraph - describes nature of the audit.
      • GAAS (PCAOB for publicly traded)
      • Reasonable assurance
      • Examine on a test basis
      • Assess management’s application of principles and use of significant estimates
      • We believe have reasonable basis for expressing opinion.
   4. Opinion paragraph – presents auditor’s conclusions.
      • In our opinion, . . . present fairly, in all material respects, . . . in conformity with GAAP.
   5. Signature – may be typed or printed.
   6. Date – date of completion of field work. Signifies date through which audit procedures were performed, including search for subsequent events. Auditor not responsible to make future inquiries beyond this date.
      Dual dating: Subsequent event disclosed in financial statements that occurred after the field work date. Auditor dates opinion as of field work date, except for subsequent event which is assigned appropriate later date. (Auditor has option to extend field work to later date and, therefore, use just one date for the report.)

IV. Qualified Opinions.

A. General Concepts.
   1. Financial statements are fairly presented “except for” the effects of a certain item.
   2. Item(s) must be judged material in amount as judged both qualitatively and quantitatively.
      • Consider significance of an item to an entity.
      • Pervasiveness.
      • Effect on statements as a whole.
   3. Explanatory paragraph(s) should precede the opinion paragraph.
   4. Opinion paragraph should contain qualifying language and refer to explanatory paragraph.
      • Use “except for” or “with the exception of”
      • Do NOT use “Subject to” or “with the foregoing explanation”
      • Do NOT use “fairly presented when read in conjunction with Note 1” of the financial statements

B. Scope Limitation.
   1. Scope limitations may be imposed by the client or circumstances:
      • Timing of the work.
      • Inability to obtain sufficient competent evidence.
      • Inadequacy of the accounting records.
      • Unaudited information included in financial statements that should be audited.
   2. Qualification versus disclaimer depends on the significance (materiality) of the item(s) and its affect on the financial statements.
   3. In addition to the explanatory paragraph that precedes the opinion paragraph, the scope limitation needs to be referred to in both the scope and opinion paragraphs. CANNOT be explained in a financial statement disclosure.
   4. Reference needs to be to the financial statements potentially affected not to the scope limitation itself.
C. Departure from GAAP.
   1. Explanatory paragraph, which comes before the opinion paragraph, includes:
      • Substantive reasons for qualification.
      • Disclosure of the principal effects of the subject matter of the qualification, if practicable. If not practical to estimate effects must say so in report.
      • An allowable reference to financial statement footnote explaining situation, such as “As more fully described in Note X . . .” With this type of reference the explanatory paragraph may be shortened.
   2. Introductory and scope paragraphs are usually unchanged.
   3. Omission of a Statement of Cash Flows requires the issuance of a qualified report. The introductory paragraph should omit the reference to the Cash Flow Statement. Auditor does not need to prepare this statement.
   4. Inappropriate accounting change (newly adopted accounting principle not GAAP, improper accounting for effect of change in principle, or management’s justification for change not reasonable). Qualification always sticks with year change occurred but not necessarily subsequent years.

V. Adverse Opinions – highly material departure from GAAP, financial statements as a whole are not fairly stated.
   A. Auditor should include in a separate explanatory paragraph(s) preceding the opinion paragraph all substantive reasons for the adverse opinion (what client does wrong and what would be right) and the principal effects of its subject matter, if practicable. If the effects are not reasonably determinable, a statement to the effect should be included.
   B. Format.
      • Introductory and scope paragraph are unchanged.
      • Opinion paragraph states adverse opinion and refers to explanatory paragraph.

VI. Disclaimers of Opinion – highly material limitations of scope or lack of independence.
   A. States that auditor does not express an opinion on the financial statements.
   B. For a Limitation of Scope:
      1. Omit scope paragraph.
      2. Add explanatory paragraph that:
         • Provides reasons that the audit did not comply with GAAS.
         • States that the scope was not sufficient to warrant the expression an opinion.
         • Does not identify the procedures performed.
         • Discloses any other reservations the auditor has regarding fair presentation in accordance with GAAP.
      4. In addition to the slight wording change (“We were engaged to audit” vs. “We have audited”), the introductory paragraph should also omit statement about auditor’s responsibility.
      5. No piecemeal opinions.
   C. Unaudited Financial Statements of a Public Entity (for an non-public entity auditor should do a Review or Compilation or clear statement of no responsibility).
      1. Disclaimer should be attached to the financial statements when accountant is associated with those statements, but has not audited or reviewed them. Association means auditor has consented to use of his/her name in a report, document, or written communication containing statements.
      2. Mark each page as unaudited.
      3. Read statements for obvious material misstatements.
      4. Do not describe any procedures performed.
      5. Disclose any reservation about fair presentation.
      6. Do not use a salutation or report title.
      7. Example:
The accompanying balance sheet of X Company as of December 31, 1998, and the related statements of income, retained earnings, and cash flows for the year then ended were not audited by us and, accordingly, we do not express an opinion on them.

D. Lack of Independence.
   1. Must not express an opinion when auditor lacks independence.
   2. Do not describe reasons.
   3. Mark each page of financial statements as “Unaudited.”
   4. Do not describe any procedures performed.
   5. Do disclose any reservation about fair presentation.
   6. Do not use any report title or salutation.

VI. Part of Audit Performed by Other Independent Auditors
   A. Identify principal auditor; other auditor(s) may audit subsidiaries, divisions, branches, components, or investments.
      Consider the following:
      1. The materiality of the portion of the financial statements audited.
      2. Knowledge of the overall financial statements.
      3. The importance of the components audited.

   B. Principal auditor’s course of action
      1. Principal assumes responsibility for work of other auditor – no reference made in the report.
      2. Principal does not assume responsibility – report needs to clearly indicate division of responsibility.
      3. In either case the other auditor remains responsible for his/her own work and report.
      4. Principal auditor decides he/she can neither assume responsibility nor refer to other auditor – report should either be qualified or disclaim an opinion. State reasons (scope limitation) and magnitude of portion of financial statements.

   C. Decision Not to make reference
      The principal auditor may take this position when
      1. the other auditor has a good professional reputation and is independent of client.
      2. the other auditor is an associated or correspondent firm whose work is acceptable.
      3. the other auditor was a retained by the principal auditor who guided and controlled the work.
      4. the principal auditor becomes satisfied as to the audit and work of the other auditor.
      5. the portion of the statements audited by the other auditor is not material.

      Public company – before release date obtain, review and retain engagement completion document.

   D. Decision to make reference
      1. The principal auditor may refer to other auditor because
         a. not practical to review other auditor’s work or perform other procedures necessary to become satisfied about his/her work.
         b. other auditor’s examined a material portion of the total financial statements.
      2. The report should
         a. indicate clearly, in all three paragraph, the division of responsibility
         b. disclose the proportion (amounts or percentages) of the financial statements that were examined by other auditors.
         c. not name other auditor unless have express permission to do so and other auditor’s report is included.
      3. This reference does not qualify the opinion
Procedures applicable to both methods of reporting
1. Principal should make inquiries about the professional reputation (AICPA, state society, other practitioners, bankers, etc.)
2. Obtain representation from other auditor(s) about their independence.
3. Communication with other auditor on –
   g. reliance upon, and possible reference to, their report.
   h. applicable GAAS, GAAP, and regulatory requirements.
   i. need for a review of uniformity of accounting practices and the elimination of intercompany transactions and balances.

F. Additional procedures under decision not to make reference
6. Visit the other auditor and discuss the audit procedures followed and the results.
7. Review the audit programs and working papers of the other auditor.
8. Make supplemental tests of accounts.

A. Departure of other auditor’s report from standard report. The principal auditor must consider this departure and its effect on his/her own report. For example, if the reason for departure is not material and other auditor’s report is not presented, then no reference in principal auditor’s report is necessary.

I. Consistency of Application of GAAP
B. Consistency versus comparability
1. Comparability – is one set of financial statements comparable to another. Affects on comparability: accounting changes, errors, changes in classification, and events or transactions substantially different from those previously accounted for.
2. Consistency – expectation of consist application of accounting principles from one period to the next. Second reporting standard applies.
3. If a lack of consistency has a material effect on comparability it is described in an explanatory paragraph that follows the opinion paragraph.
   • This paragraph states the nature of the change and refers to the footnote that discusses the change.
   • The auditor is assumed to concur with the change unless otherwise stated in the report.
   • A lack of consistency, by itself, is not a reason for issuing a qualified, adverse, or disclaiming opinion.
   • Paragraph should be included as long as year of change is presented in the financial statements an reported on by the auditor.
   • One exception, because of the special accounting requirements for a change from FIFO to LIFO (the FIFO calculated ending inventory is assumed to be the LIFO beginning inventory for the earliest period presented), the financial statements are comparable and no explanatory paragraph is necessary.

F. Accounting issues related to comparability and consistency
Add a paragraph:
1. Change in accounting principle
2. Change in reporting entity not from a transaction or event
3. Change in principle inseparable from change in estimate
Changes not affecting consistency (do not add a paragraph):
4. Change in accounting estimate
5. Error correction not involving principle
6. Changes in classification and reclassification
7. Substantially different transactions or event
8. Change in reporting entity from a transaction or event
II. Uncertainties and Going Concern
   F. Uncertainties are expected to be resolved at a future date
      • Inability to gather sufficient competent evidential matter is a lack of scope (i.e., sufficient evidence does or did exist, but is not available to the auditor) and should be treated as such.
      • Uncertainty – evidence does not exist at time of audit, but expected to be available in the future. As long a disclosure adequate and/or estimate reasonable no additional paragraph is necessary. If not, then a departure from GAAP due to inadequate disclosure exists and must be addressed as such in expressing an opinion.

A. Assess ability to continue as a going concern
   • If, as evaluated by the procedures required by SAS 59, the auditor determines that substantial doubt about a company’s ability to continue as a going concern exists than an explanatory fourth paragraph should be added to the standard audit report.
     • Could also issue a disclaimer opinion.
     • Paragraph should include the words “substantial doubt” and “going concern”
     • No conditional language allowed in explanatory paragraph
     • If disclosures about going concern inadequate than consider issuing a qualified or adverse opinion.
     • If the substantial doubt from a prior year does not now exist, no explanatory paragraph is necessary.

II. Comparative Financial Statements
   C. “Financial statements taken as a whole” refers to all periods presented.
      • If audit firms merge -- new firm must accept responsibility, may relate merger information and name of old firm.
      • The report is dated as of the end of fieldwork of the most recent year examined.
      • During current year audit, auditor should follow-up on information that has an effect on prior year financial statements.

A. Different reports on comparative financial statements presented.
   The report applies to individual financial statements, so an auditor may express a qualified or an adverse opinion, disclaim an opinion, or include an explanatory paragraph for one of more statements form one or more periods while issuing a different report on the other statements.

D. Opinion on prior-period financial statements different from the opinion previously issued
   • An explanatory paragraph(s) preceding the opinion paragraph should disclose:
     1. All substantive reasons for the different opinion
     2. The date of the previous report
     3. The type of opinion previously expressed
     4. The circumstances or events that resulted in a different opinion
     5. Notification that the updated opinion differs from the previous opinion

F. Report of predecessor auditor
   5. Predecessor auditor can reissue report on previous periods at request of former client.
      • Predecessor auditor must still be an actively licensed CPA.
      • Predecessor should consider appropriateness of opinion in current circumstances.
      • Predecessor should:
        • Read current statements.
        • Compare prior period to current statements.
        • Obtain representation letter from current auditor about matters that materially affect prior period statements.
• Obtain representation letter from management about matters that materially affect prior period statements.
• Use date of original report.
• If decide another type of report appropriate follow guidelines above (C) for change in opinion. Need to dual date report if revised.

6. Predecessor’s report not presented.
   • **Introductory** paragraph of successor’s report should:
     • indicate prior-period audited by another auditor (do not name unless merged with old auditor).
     • give date of predecessor’s report.
     • disclose type of report.
     • if not a standard report, describe reasons why not. Mention inclusion of explanatory paragraph by predecessor and what about.
   • Scope paragraph unchanged.
   • Opinion paragraph refers only to the year examined by the successor auditor (not both years of the financial statements presented).
   • If prior year financial statements have been restated and predecessor’s report is based on the financial statements before restatement then introductory paragraph should so indicate. Successor could, after becoming satisfied about propriety, include in the introductory paragraph a sentence about agreeing with restatement.

3. Misstatement on prior financial statements by a predecessor auditor.
   • If successor is aware of information that indicates the predecessor’s report needs revision, the successor should ask the client to contact the predecessor and get all three parties together to discuss and resolve issue.

A. **Comparative presentation of unaudited prior-year financial statements with audited current-year statements**
   • SEC documents – do not refer to unaudited statements and clearly mark as unaudited.
   • All other cases – mark unaudited and either (1) include prior report if review or compilation or (2) current report should include a separate paragraph describing responsibility assumed for prior-period statements.

I. **Emphasis of a Matter**
   A. **Add a separate paragraph that does not modify opinion**
      • Do not include any reference to the paragraph in opinion paragraph.
      • Matters emphasized include:
        • The information that the entity is a component of a larger enterprise.
        • Significant related party transactions.
        • An important subsequent event.
        • An accounting matter affecting comparability.
Special Audit and Other Reports:

I. Special Reports
   - Based on Standard Unqualified Report
   - Other Comprehensive Basis of Accounting (OCBOA) popular on exam.
   - In general, if can form an opinion on the fairness of financial information, auditor can issue an opinion.

A. Uses of Special Reports
   1. Special Reports:
      - OCBOA
      - Specified elements, accounts, or items of a financial statement
      - Compliance with contractual agreements or regulatory requirements related to audited financial statements
      - Financial presentations in compliance with contracts or regulatory provisions.
      - Financial information in prescribed forms requiring a prescribed form of audit report.
   2. Financial Statements Prepared in Conformity with an OCBOA
      b. GAAS applicable to any financial statements
   3. Financial statements include the communication of an entity’s economic resources and obligations or results of changes for a specified time period.

4. Examples:
   - Statement of assets and liabilities that does not include owners’ equity
   - Statement of revenues and expenses
   - Summary of operations
   - Statement of operations by product lines
   - Statement of cash receipts and disbursements

5. Fair presentation is defined by the OCBOA employed.
   OCBOA methods include:
   - Basis dictated by a regulatory agency.
   - Basis used for tax purposes.
   - Cash basis and modified cash basis.
   - Definite criteria applied to all material items, for example, price-level basis.

   a. Evaluate disclosures in a manner similar to if prepared in conformity to GAAP. Should include a footnote describing OCBOA.

A. Reporting on Financial Statements Prepared in Conformity with an OCBOA

3. Variances from standard audit report:
   d) Likely to have a different list of financial statements (introductory paragraph)
   e) Add a paragraph before the opinion paragraph that:
      - state basis of presentation and refer to footnote that explains basis.
      - state that basis if an OCBOA other than GAAP.
   b) Opinion paragraph expresses an opinion (or disclaims) on fair presentation, in all material respects, in conformity with the basis of accounting described.
      a) If meeting reporting requirements of a regulatory agency, add paragraph restricting distribution.

103. If needed express a qualified or adverse opinion with wording adjustments to OCBOA from GAAP.

104. Qualify opinion if statements are titled: Balance Sheet, Statement of Financial Opinion, Statement of Income, Statement of Operations, and Statement of Cash Flows (i.e., cannot sound anything like titles used on statements prepared in accordance with GAAP).
C. Specified Elements, Accounts, or Items of a Financial Statement
   2. Examples: Rentals, royalties, receivables, a profit participation, or a provision for income taxes.
   4. May complete separately from or simultaneously with an audit engagement.
   5. Relate materiality to size of element (not financial statements as a whole).
   6. Report similar to standard audit report, plus
      • Identify element
      • Basis of presentation
      • Source of significant interpretations made by the client
      • If not GAAP or OCBOA – restrict distribution to within company and parties to contract or agreement.
   7. Be cautious (but you are not prohibited) in expressing an opinion on an element of financial statements on which you issued an overall adverse or disclaimer of opinion.

I. Related Reporting Topics
   A. Interim Financial Information – see other handout.

B. Information Accompanying Basic Financial Statements Audited Financial Statements
   1. SAS 29 (AU 551)
   2. Typical information:
      • Details supporting control totals
      • Supplementary information required by FASB or SEC
      • Statistical data
      • Schedule of insurance coverage
      • Specific comments on changes in the statements
   3. Make clear statement about degree of responsibility taking for additional information.
      • Either:
        • Positive opinion – high level of assurance
        • Disclaimer – no assurance
        • Materiality same as for FS (therefore, less extensive evidence than for specified element).

B. Debt Compliance Letters and Similar Reports
   1. AU 623 (SSAE 3)
   2. May be issue as separate report or a part of ret that expresses the auditor’s opinion on the financial statements by adding a paragraph after the opinion paragraph
   3. Duties:
      • Limited to compliance matters that auditor is qualified to evaluate.
      • Only for a client for whom do the audit
      • Provide negative assurance
   4. Restrict distribution to directly affected parties
   5. Applied to any contractual or regulatory requirements
   6. Report:
      • Separate paragraph clearly stating what the presentation in intended to present
      • Not intended to be a complete presentation or follow GAAP
      • Add paragraph restricting distribution, except for certain filing distributed to public by regulation.
I. Attestation Engagements
A. Statements on Standards of Attestation Engagements (SSAE, referenced as AT).
B. Attestation Standards – see Table
   Notable differences:
   • General standard 2: Adequate knowledge of subject matter.
   • General standard 3: Assertions must able to be evaluated against reasonable criteria.

A. Type of Attestation Engagements
   1. Anything requiring assurances that fall within our capabilities
   2. Prospective financial statements
   3. Pro forma financial information
   4. Reports on internal control over financial reporting
   5. Compliance with laws and regulations
   6. Agreed-upon procedures
   7. Management’s discussion and analysis

B. Levels of Service
   1. Examination – positive form. Presentation of the assertions, taken as a whole, conform with applicable criteria. Unrestricted in distribution.
   2. Review – negative assurance. Unrestricted in distribution. (Restricted from doing a review for most specified attestation engagements.)
   3. Agreed-upon procedures engagement – degree of assurance varies with specific procedures agreed to and performed. Limited in distribution.

<table>
<thead>
<tr>
<th>Type of engagement</th>
<th>Amount of evidence</th>
<th>Level of assurance</th>
<th>Form of conclusion</th>
<th>Distribution</th>
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</thead>
<tbody>
<tr>
<td>Examination</td>
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<tr>
<td>Review</td>
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<tr>
<td>Agreed-upon procedures</td>
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</tbody>
</table>

I. Prospective Financial Statements
A. Types:
   1. Forecasts – presented expected results
   2. Projection – presents financial statements based on hypothetical assumptions.
   3. ACIPA Guide for Prospective Financial Statements

A. Use of prospective FS
   1. For either general or limited use
   2. Forecasts for either, but limit projections. (Exception if projection supplements forecast)

A. Types of engagement
   1. Permit either examination, compilation, or agreed-upon procedures.
   2. Prohibit review

A. Examination
   1. Focus is on examining the underlying assumptions and the preparation and presentation of the forecast or projection.
      a. Evaluate preparation
      b. Evaluate support for underlying assumptions
      c. Evaluate presentation (follow the guide)
      d. Issue an examination report
B. Report should:
1. identify statements
2. followed standards and nature of examination
3. give opinion – state assumptions reasonable
4. caveat that results may not be achieved
5. not responsible to update for changes

II. Reporting on Internal Control
SSAE 2

Comparison of Requirements for Audits

Requirements for an Examination of the Effectiveness of Internal Control
1. Plan the engagement
2. Obtain an understanding of internal control
3. Evaluate the design effectiveness of controls
4. Test and evaluate the operating effectiveness of the controls
5. Form an opinion on management’s assertion regarding the effectiveness of internal control.
   Concern is for a material weakness (not same a reportable condition).

Internal Control for Service Organizations

I. Agreed-upon Procedures Engagements
A. Users – management or third-party
B. Report emphasizes procedures performed and findings.
C. SSAE 4 and SAS 75
D. SAS 75 deals with financial statement items and SSAE with non-financial
E. SSAE engagement requires written assertions from management.
<table>
<thead>
<tr>
<th>Attestation Standards</th>
<th>Generally Accepted Auditing Standards</th>
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<tbody>
<tr>
<td><strong>General Standards</strong></td>
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</tr>
<tr>
<td>1. The engagement shall be performed by a practitioner having adequate technical training and proficiency in the attest function.</td>
<td>1. The audit is to be performed by a person or persons having adequate technical training and proficiency as an auditor.</td>
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<tr>
<td>2. The engagement shall be performed by a practitioner having adequate knowledge in the subject matter.</td>
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<tr>
<td>3. The practitioner shall perform an engagement only if he or she has reason to believe that the subject matter is capable of evaluation against criteria that are suitable and available to users.</td>
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<tr>
<td>4. In all matters relating to the engagement, an independence in mental attitude shall be maintained by the practitioner.</td>
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</tr>
<tr>
<td>5. Due professional care shall be exercised in the planning and performance of the engagement.</td>
<td>2. In all matters relating to the assignment, an independence in mental attitude is to be maintained by the auditor or auditors.</td>
</tr>
<tr>
<td><strong>Standards of Field Work</strong></td>
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</tr>
<tr>
<td>1. The work shall be adequately planned and assistants, if any, shall be properly supervised.</td>
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</tr>
<tr>
<td>2. Sufficient evidence shall be obtained to provide a reasonable basis for the conclusion that is expressed in the report.</td>
<td>2. A sufficient understanding of internal control is to be obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.</td>
</tr>
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<td><strong>Standards of Reporting</strong></td>
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<tr>
<td>1. The report shall identify the subject matter or assertion being reported on and state the character of the engagement.</td>
<td>1. The report shall state whether the financial statements are presented in accordance with generally accepted accounting principles.</td>
</tr>
<tr>
<td>2. The report shall state the practitioner's conclusion about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated.</td>
<td>2. The report shall identify those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.</td>
</tr>
<tr>
<td>3. The report shall state all of the practitioner's significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto.</td>
<td>3. Informative disclosures in the financial statements are to be regarded as reasonably adequate unless otherwise stated in the report.</td>
</tr>
<tr>
<td>4. The report shall state that the use of the report is restricted to specified parties, in certain circumstances.</td>
<td>4. The report shall either contain an expression of opinion regarding the financial statements, taken as a whole, or an assertion to the effect that an opinion cannot be expressed. When an overall opinion cannot be expressed, the reasons therefor should be stated. In all cases where an auditor's name is associated with financial statements, the report should contain a clear-cut indication of the character of the auditor's work, if any, and the degree of responsibility the auditor is taking.</td>
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