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SAS Update and Update on AUP Requirements

CARA NICOLETTI

Overview

- ❑ Statement on Auditing Standards Updates
- ❑ Statement on Standards for Attestation Engagements No. 19 – Agreed-Upon Procedures Engagements

SAS Updates

- ❑ SAS Nos. 134-140
 - Effective Date: Periods ending after December 15, 2021.
 - Recommended by the ASB to be adopted together.
- ❑ SAS No. 142
- ❑ SAS No. 143
- ❑ SAS No. 144

SAS Nos. 134-140

SAS	Title
No. 134	Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements
No. 135	Omnibus Statement on Auditing Standards – 2019
No. 136	Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA
No. 137	The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports
No. 138	Amendments to the Description of the Concept of Materiality
No. 139	Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes from SAS No. 134
No. 140	Amendments to AU-C Sections 725, 730, 930, 935, and 940 to Incorporate Auditor Reporting Changes from SAS Nos. 134 and 137

SAS No. 134

- ❑ “Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements”
- ❑ Supersedes AU-C sections 700, 705, and 706 and introduces a new section, 701.

SAS No. 134 - Section 700 – Forming an Opinion and Reporting on Financial Statements

- ❑ Auditor’s responsibility to form an opinion on the financial statements.
- ❑ Form and content of the auditor’s report when issuing an unmodified “clean” opinion.
- ❑ Includes an appendix of amendments to various AU-C sections relating to auditor reporting and disclosures.

SAS No. 134 - Section 700 – Forming an Opinion and Reporting on Financial Statements

- ❑ Opinion
- ❑ Basis for Opinion
- ❑ Going Concern
- ❑ Key Audit Matters
- ❑ Responsibilities of Management
- ❑ Auditor's Responsibilities

SAS No. 134 - Opinion

- ❑ Required to be presented first.
- ❑ Should include the heading “Opinion.”
- ❑ Opinion paragraph should include the following:
 - Identify the entity whose financial statements have been audited.
 - State that the financial statements have been audited.
 - Identify the title of each statement that the financial statements comprise.
 - Refer to the notes.
 - Specify the dates of or periods covered by each financial statement that the financial statements comprise.
- ❑ State that, in the auditor’s opinion, the accompanying financial statements present fairly, in all material respects, [...] in accordance with [*the applicable financial reporting framework.*]
- ❑ Identify the applicable financial reporting framework and its origin.

SAS No. 134 - Basis for Opinion

- ❑ States that the audit was conducted in accordance with generally accepted auditing standards and identifies the United States of America as the country of origin of those standards.
- ❑ Refers to the auditor's responsibilities section.
- ❑ Auditor is required to be independent of the entity.
- ❑ Audit evidence is sufficient and appropriate to provide a basis for the auditor's opinion.

SAS No. 134 - Going Concern

- When applicable, the auditor should report in accordance with AU-C section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*.

SAS No. 134 - Key-Audit Matters

- When the auditor is engaged to communicate Key Audit Matters, the auditor should do so in accordance with section 701 of this SAS.

SAS No. 134 - Responsibilities of Management for the Financial Statements

- ❑ Management's responsibility:
 - The preparation and fair presentation of the financial statements.
 - Evaluation of whether there are conditions or events, that raise substantial doubt about the entity's ability to continue as a going concern.

- ❑ Should not reference a separate statement by management about such responsibilities.

SAS No. 134 - Auditor's Responsibilities for the Audit of the Financial Statements

- Auditor's responsibilities:
 - State the objectives of the audit.
 - State that reasonable assurance is a high level of assurance but is not absolute assurance.
 - State that the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error.
 - State that misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

SAS No. 134 - Auditor's Responsibilities for the Audit of the Financial Statements (cont.)

- ❑ Auditor's responsibilities are to:
 - Exercise professional judgment and maintain professional skepticism throughout the audit,
 - Identify and assess risks of material misstatement and design and perform audit procedures responsive to those risks,
 - Obtain an understanding of internal control in order to design audit procedures that are appropriate in the circumstances,
 - Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management,
 - Conclude whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern.

- ❑ Communication to those charged with governance

SAS No. 134 - Other Reporting Responsibilities

- ❑ Reporting responsibilities in addition to the auditor's responsibilities under GAAS
- ❑ Should be addressed in a separate section in the auditor's report
- ❑ "Report on Other Legal and Regulatory Requirements"

SAS No. 134 - Signature, Address, Date

- ❑ Manual or printed signature of the auditor's firm.
- ❑ City and state where the auditor's report is issued.
- ❑ Date
 - 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

Passcode #1

Who is the only person to have ever won gold medals during the Summer and Winter Olympics?

- A. Shawn Johnson
- B. Eddie Eagan
- C. Mark Spitz

Illustration 1

- Auditor's Report on Comparative Financial Statements Prepared in Accordance with Accounting Principles Generally Accepted in the United States of America

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹

Opinion

We have audited the 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.

In our opinion, the accompanying financial statements 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ABC Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Company's ability to continue as a going concern for *[insert the time period set by the applicable financial reporting framework]*.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ABC Company's internal control. Accordingly, no such opinion is expressed.²
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the auditor’s report would vary depending on the nature of the auditor’s other reporting responsibilities.]

[Signature of the auditor’s firm]

[City and state where the auditor’s report is issued]

[Date of the auditor’s report]

Illustration 2

- Auditor's Report on Comparative Financial Statements Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America, Including Key Audit Matters

[Appropriate Addressee]

Report on the Audit of the Financial Statements¹

Opinion

We have audited the 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.

In our opinion, the accompanying financial statements 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ABC Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with section 701, Communicating Key Audit Matters in the Independent Auditor's Report, of this SAS]

Management is 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Company's ability to continue as a going concern for *[insert the time period set by the applicable financial reporting framework]*.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ABC Company's internal control. Accordingly, no such opinion is expressed.²

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- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
 - Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]

[Date of the auditor's report]

SAS No. 134 - Section 705 – Modifications to the Opinion in the Independent Auditor's Report

- ❑ Form and content of the report when the auditor is not issuing a clean auditor's opinion.
- ❑ Establishes three types of modified opinions: qualified opinion, adverse opinion, or disclaimer of opinion.

SAS No. 134 - Types of Modified Opinions

<i>Nature of Matter Giving Rise to the Modification</i>	<i>Auditor's Professional Judgment About the Pervasiveness of the Effects or Possible Effects on the Financial Statements</i>	
	<i>Material but Not Pervasive</i>	<i>Material and Pervasive</i>
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

SAS No. 134 - Section 705 Illustrations

- ❑ Illustration 1: An Auditor's Report Containing a Qualified Opinion Due to a Material Misstatement of the Financial Statements
- ❑ Illustration 2: An Auditor's Report Containing a Qualified Opinion for Inadequate Disclosure
- ❑ Illustration 3: An Auditor's Report Containing an Adverse Opinion Due to a Material Misstatement of the Financial Statements
- ❑ Illustration 4: An Auditor's Report Containing a Qualified Opinion Due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence
- ❑ Illustration 5: An Auditor's Report Containing a Disclaimer of Opinion Due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence About a Single Element of the Financial Statements
- ❑ Illustration 6: An Auditor's Report Containing a Disclaimer of Opinion Due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence About Multiple Elements of the Financial Statements
- ❑ Illustration 7: An Auditor's Report in Which the Auditor Is Expressing an Unmodified Opinion in the Prior Year and a Modified Opinion (Qualified Opinion) in the Current Year
- ❑ Illustration 8: An Auditor's Report in Which the Auditor Is Expressing an Unmodified Opinion in the Current Year and a Disclaimer of Opinion on the Prior-Year Statements of Income, Changes in Stockholders' Equity, and Cash Flows

Passcode #2

Which Olympic athlete holds the most gold medals?

- A. Michael Phelps
- B. Usain Bolt
- C. Jenny Thompson

SAS No. 134 - Section 706 – Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs

- ❑ Addresses additional communications in the auditor's report (emphasis-of-matter and other-matter paragraphs)

SAS No. 134 - Definitions

- ❑ **Emphasis-of-matter paragraph.** A paragraph included in the auditor's report that is required by GAAS, or is included at the auditor's discretion, and that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements.
- ❑ **Other-matter paragraph.** A paragraph included in the auditor's report that is required by GAAS, or is included at the auditor's discretion, and that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report.

SAS No. 134 – Emphasis-of-Matter Paragraph

- When including an emphasis-of-matter paragraph in the auditor’s report:
 - Include the paragraph within a separate section of the auditor’s report with an appropriate heading.
 - Clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements.
 - Indicate that the auditor’s opinion is not modified with respect to the other matter emphasized.

SAS No. 134 – Other-Matter Paragraph

- ❑ If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor’s professional judgment, is relevant to users’ understanding of the audit, the auditor’s responsibilities, or the auditor’s report, the auditor should include an other-matter paragraph in the auditor’s report, provided that, when section 701 of this SAS applies, the matter has not been determined to be a key audit matter to be communicated in the auditor’s report.
- ❑ Heading titled “Other Matter”

SAS No. 134 - Illustration

- ❑ Auditor's report that includes a Key Audit Matters section, an Emphasis-of-Matter Paragraph, and an Other-Matter Paragraph

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements²

Opinion

We have audited the 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.

In our opinion, the accompanying financial statements 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ABC Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter³

As discussed in Note X to the financial statements, subsequent to the date of the financial statements, there was a fire in ABC Company's production facilities. Our opinion is not modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that were communicated with those charged with governance and, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Other Matter

The financial statements of ABC Company for the year ended December 31, 20X0, were audited by another auditor, who expressed an unmodified opinion on those statements on March 31, 20X1.

Responsibilities of Management for the Financial Statements

Management is 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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Company's ability to continue as a going concern for [insert the time period set by the applicable financial reporting framework].

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ABC Company's internal control. Accordingly, no such opinion is expressed.⁴

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Other Legal and Regulatory Requirements

[The form and content of this section of the auditor's report would vary depending on the nature of the auditor's other reporting responsibilities.]

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]

[Date of the auditor's report]

Section 701 – Communicating Key Audit Matters in the Independent Auditor’s Report

- ❑ Addresses the auditor’s responsibility to communicate Key Audit Matters (KAMs) in the Independent Auditor’s Report
- ❑ SAS No. 134 does not require the communication of KAMs.
- ❑ Auditor needs to be engaged to communicate KAMs.

SAS No. 134 - Key Audit Matters Definition

- Those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. KAMs are selected from matters communicated with those charged with governance.

SAS No. 134 - Communicating Key Audit Matters

- ❑ Communicating KAMs in the auditor's report is done in the context of the auditor having formed an opinion on the financial statements as a whole.
- ❑ Communicating KAMs does not constitute the following:
 - A substitute for required disclosures,
 - A substitute for the auditor expressing a modified opinion,
 - A substitute for reporting in accordance with AU-C section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*,
 - A separate opinion on individual matters.

SAS No. 134 - Communicating Key Audit Matters (cont.)

- ❑ Describe each KAM in the Key Audit Matters section of the auditor's report
- ❑ Introductory language in this section

SAS No. 134 - Communicating Key Audit Matters (cont.)

- The auditor should communicate the following with those charged with governance:
 - Those matters the auditor has determined to be the key audit matters, or
 - If applicable, the auditor's determination that there are no key audit matters to communicate in the auditor's report.

SAS No. 134 - Audit Documentation

- The auditor should include the following in the audit documentation:
 - The matters that required significant auditor attention, and the rationale for the auditor's determination about whether or not each of the matters is a key audit matter.
 - When applicable, the rationale for the auditor's determination that there are no key audit matters to communicate in the auditor's report or that the only key audit matters to communicate are those matters addressed by paragraph .14 of the SAS.
 - When applicable, the rationale for the auditor's determination not to communicate in the auditor's report a matter determined to be a key audit matter.

SAS No. 134 - Amendments Addressing Disclosures in the Audited Financial Statements

- ❑ Amendments to various sections in SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended, and SAS No. 132, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*

Passcode #3

What was given to the winners of the Ancient Olympic events?

- A. Gold Medal
- B. Money
- C. Olive Branch Wreath

SAS No. 135

- ❑ “Omnibus Statement on Auditing Standards – 2019”
- ❑ Intended to more closely align ASB guidance with the PCAOB’s standards by primarily amending AU-C section 260, “*Communications With Those Charged With Governance*,” AU-C section 550, “*Related Parties*,” and AU-C Section 240, “*Consideration of Fraud in a Financial Statement Audit*”

SAS No. 136

- “Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA”

SAS No. 136 - What Changed?

- ❑ To enhance the quality of employee benefit plans audits, the EBP SAS specifically addresses requirements for:
 - Engagement acceptance,
 - Audit risk assessment and response, including the auditor's consideration of relevant plan provisions,
 - Communication of reportable findings with those charged with governance,
 - The auditor's responsibilities related to the ERISA-required supplemental schedules and the Form 5500,
 - The form and context of the related auditor's report.

SAS No. 136 - What Changed? (cont.)

- ❑ “Limited-Scope Audits” now referred to as ERISA section 103(a)(3)(C) audits
- ❑ Format of the ERISA section 103(a)(3)(C) auditor’s report:
 - Scope and Nature of ERISA Section 103(a)(3)(C) Audit
 - Opinion
 - Basis for Opinion
 - Enhanced Auditor Reporting Relating to Going Concern
 - Expanded description of management’s responsibilities
 - Expanded description of auditor’s responsibilities
 - Required other-matter paragraph to report on the ERISA-required supplemental schedules

SAS No. 136 - What Changed? (cont.)

- Non-ERISA Section 103(a)(3)(C) report (formerly referred to as “full-scope reports”) are the same as those in SAS No. 134 with the following exceptions:
 - Opinion section identifies the plan as an employee benefit plan subject to ERISA,
 - Expanded description of management’s responsibilities,
 - Includes new content in the other-matter paragraph.

SAS No. 137

- “The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports”

SAS No. 137 – What Changed?

- ❑ Supersedes SAS No. 118
- ❑ To enhance transparency relating to the auditor’s responsibilities for other information included in annual reports and to reduce diversity in practice
- ❑ Changes made:
 - Clarification of documents that are within the scope of the standard,
 - Clarifies the auditor’s responsibility,
 - “Other Information,” or other appropriate heading.

SAS No. 138

- “Amendments to the Description of the Concept of Materiality”

SAS No. 138 – What Changed?

- The ASB's current description of materiality is consistent with the definition of materiality used by the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB). This SAS aligns the materiality concepts discussed in AICPA Professional Standards with the description of materiality used by the U.S. judicial system, PCAOB, the SEC, and FASB.

SAS No. 138 – What Changed?

- Description of materiality:
 - ***Boldface italics*** denotes new language. Deleted text is in ~~strikethrough~~.
 - Misstatements, including omissions, are considered to be material if ~~they~~ ***there is a substantial likelihood that***, individually or in the aggregate, they ~~could reasonably be expected to~~ ***would*** influence the ~~economic decisions of users~~ ***judgment made by a reasonable user based*** on the financial statements.

SAS No. 139

- “Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes from SAS No. 134”

SAS No. 139 – What Changed?

- ❑ Aligns the following three AU-C Sections with the relevant auditor reporting standards in SAS No. 134.
 - Section 800 – Special Considerations – Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks
 - Section 805 – Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement
 - Section 810 – Engagements to Report on Summary Financial Statements

SAS No. 140

- “Amendments to AU-C Sections 725, 730, 930, 935, and 940 to incorporate Auditor Reporting Changes from SAS Nos. 134 and 137”

SAS No. 140 – What Changed?

- ❑ Amends the following AU-C sections for conformity with SAS No. 134 and No. 137
 - Section 725 – Supplementary Information in Relation to the Financial Statements as a Whole
 - Section 730 – Required Supplementary Information
 - Section 930 – Interim Financial Information
 - Section 935 – Compliance Audits
 - Section 940 – An Audit of Internal Control Over Financial Reporting That is Integrated With an Audit of Financial Statements

SAS No. 140 – What Changed? (cont.)

□ Other revisions to AU-C Sections

- Section 930 – Placement of the auditor’s review conclusion at the beginning of the review report on interim financial information
- Section 935 – Revisions were made for consistency with the Uniform Guidance, changes in OMB Compliance Supplement, and the most recently issued Yellow Book
- Section 940 – Changes to the reporting requirements with respect to audits of internal control over financial reporting that is integrated with an audit of financial statements
- Sections 725 and 730 – Report in alignment with SAS No. 137

SAS No. 141

- Deferral of the Effective Dates of SAS Nos. 134-140

SAS No. 142

- ❑ “Audit Evidence”
- ❑ Effective for periods ending on or after December 15, 2022.
- ❑ What does it address?
 - Use of emerging technologies and techniques (by both preparers and auditors)
 - Application of professional skepticism
 - Expanding use of external information sources to provide audit evidence
 - Broadly, the relevance and reliability of audit evidence

SAS No. 143

- ❑ “Auditing Accounting Estimates and Related Disclosures”
- ❑ Effective for periods ending on or after December 15, 2023.
- ❑ Purpose is to enhance the auditing standards concerning auditing accounting estimates as well as improve the auditor’s focus on the factors driving estimation uncertainty and potential management bias.

SAS No. 144

- ❑ “Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained from External Information Sources”
- ❑ Effective for periods ending on or after December 15, 2023.
- ❑ Amends the following AU-C Sections
 - 501 – Audit Evidence – Specific Considerations for Selected Items
 - 540 – Auditing Accounting Estimates and Related Disclosures
 - 620 – Using the Work of an Auditor’s Specialist

Passcode #4

What is the gold medal primarily made of?

- A. Gold
- B. Silver
- C. Copper

Statement on Standards for Attestation Engagements No. 19

- ❑ “Agreed-Upon Procedures Engagements”
- ❑ Effective for agreed-upon procedures reports dated on or after July 15, 2021.
- ❑ Supersedes SSAE 18 AT-C section 215 *Agreed-Upon Procedures Engagements* and amends certain provisions of SSAE 18 section 105, *Concepts Common to All Attestation Engagements*

SSAE No. 19

- What is an agreed-upon procedures engagement?
 - An attestation engagement in which a practitioner performs specific procedures on subject matter and reports the findings without providing an opinion or conclusion.
 - Subject matter may be financial or nonfinancial information.
 - The nature, timing, and extent of procedures may vary.

SSAE No. 19 – What Changed?

- ❑ Provides flexibility to a practitioner performing an AUP by:
 - Removing the requirement that the practitioner request an assertion from the responsible party;
 - Can issue a general-use report;
 - No longer requiring intended users to take responsibility for the sufficiency of the procedures;
 - Allowing procedures to be developed over the course of the engagement and allowing the practitioner to develop or assist in developing the procedures.

SSAE No. 19 – Illustration 1

- Circumstances related to this report:
 - The engaging party is the responsible party.
 - The practitioner has assisted in the development of the procedures.
 - No party other than the engaging party has agreed to the procedures and acknowledged that the procedures are appropriate for their purposes.

Independent Accountant's Report

[Appropriate Addressee]

We have performed the procedures enumerated below on *[identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. *[The responsible party, for example, XYZ Fund]* is responsible for *[the subject matter]*.

[The engaging party, for example, XYZ Fund] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of *[identify the intended purpose of the engagement, for example, assisting users in understanding the Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

[Include paragraphs to describe the procedures performed detailing the nature and extent, and if applicable, the timing, of each procedure and to describe the findings from each procedure performed, including sufficient details on exceptions found.]

We were engaged by *[the engaging party, for example, XYZ Fund]* to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on *[identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of XYZ Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

[Additional paragraphs may be added to describe other matters.]

[Signature of the practitioner's firm]

[City and state where the practitioner's report is issued]

[Date of the practitioner's report]

SSAE No. 19 – Illustration 2

- ❑ Circumstances related to this report:
 - The engaging party is not the responsible party.
 - Other than the engaging party, no other party has agreed to the procedures and acknowledged that the procedures are appropriate for their purposes.

Independent Accountant's Report

[Appropriate Addressee]

We have performed the procedures enumerated below on *[identify the subject matter, for example, the cash and accounts receivable of XYZ Company as of December 31, 20XX, included in the accompanying information provided to us by management of XYZ Company]*. *[The responsible party, for example, XYZ Company]* is responsible for *[the subject matter]*.

[The engaging party, for example, ABC Company] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of *[identify the intended purpose of the engagement, for example, assisting users in understanding cash and accounts receivable of XYZ Company as of December 31, 20XX, included in the accompanying information provided to us by management of ABC Company]*. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

We were engaged by [*the engaging party, for example, ABC Company*] to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [*identify the subject matter*]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

[*Additional paragraphs may be added to describe other matters.*]

[*Signature of the practitioner's firm*]

[*City and state where the practitioner's report is issued*]

[*Date of the practitioner's report*]

SSAE No. 19 – Illustration 3

- Circumstances related to this report:
 - The engaging party is the responsible party.
 - The engaging party and one specified party have prescribed the procedures for the practitioner to perform. The engaging party and the specified party have both agreed the procedures and have acknowledged that the procedures are appropriate for the intended purpose of the engagement and their purposes, respectively.
 - The practitioner has determined to disclose in the agreed-upon procedures report that the specified party has agreed to and acknowledged that the procedures are appropriate for their purposes.
 - The practitioner has determined to restrict the use of the agreed-upon procedures report to the parties that prescribed the procedures.

Independent Accountant's Report

[Appropriate Addressee]

We have performed the procedures enumerated below on *[identify the subject matter, for example, the claims of creditors of XYZ Company as of May 31, 20XX, as set forth in the accompanying Schedule A]*. *[The responsible party, for example, XYZ Company]* is responsible for *[the subject matter]*.

[The engaging party, for example, XYZ Company] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of *[identify the intended purpose of the engagement, for example, assisting users in understanding the claims of creditors of XYZ Company as of May 31, 20XX, as set forth in the accompanying Schedule A]*. Additionally, *[identify the other party or parties that has or have agreed to and acknowledged that the procedures performed are appropriate to meet their purposes, for example, the Trustee of XYZ Company]* has agreed to and acknowledged that the procedures performed are appropriate to meet for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

We were engaged by [*the engaging party, for example, XYZ Company*] to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on [*identify the subject matter, for example, the claims of creditors of XYZ Company as of May 31, 20XX, as set forth in the accompanying Schedule A*]. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of XYZ Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

[*Additional paragraphs may be added to describe other matters.*]

[*Signature of the practitioner's firm*]



Sources

- www.aicpa.org

Questions? Contact me!



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