

Miles CPA Review: AUD - 2017 Updates

Summary of updates:

- **“New version” CPA exam structure (w.e.f. April 2017)**
- **AUD-1.3: PCAOB** [reorganized PCAOB AS]
- **AUD-3.4: I/C Reports and Communications** [SAS 130 changes with regards to Integrated Audit for Non-issuers; review in conjunction with old content]
- **AUD-6.1 (I B): PCAOB Audit** [SAS 131 changes]
- **AUD-7.1: Compilation & Reviews (SSARS)** [Errata regarding referencing Accountant’s report on the F/S]
- **AUD-7.3: Attestation Engagements (SSAE)** [further to SAS 130, attest engagement on Internal control over financial reporting no longer applicable]

“New version” CPA exam structure (w.e.f. April 2017):

MCQ testlets

50% weightage

Recommended time:

- Testlet #1: 50 mins
- Testlet #2: 50 mins

TBS/WCT testlets

50% weightage

Recommended time:

- Testlet #3: 30 mins
- Testlet #4: 50 mins
- Testlet #5: 60 mins

	MCQ testlets		TBS/WCT testlets			
FAR	Testlet #1 33 MCQs	Testlet #2 33 MCQs	Testlet #3 2 TBSs	Break: 15 min	Testlet #4 3 TBSs	Testlet #5 3 TBSs
AUD	Testlet #1 36 MCQs	Testlet #2 36 MCQs	Testlet #3 2 TBSs	Break: 15 min	Testlet #4 3 TBSs	Testlet #5 3 TBSs
REG	Testlet #1 38 MCQs	Testlet #2 38 MCQs	Testlet #3 2 TBSs	Break: 15 min	Testlet #4 3 TBSs	Testlet #5 3 TBSs
BEC	Testlet #1 31 MCQs	Testlet #2 31 MCQs	Testlet #3 2 TBSs	Break: 15 min	Testlet #4 2 TBSs	Testlet #5 3 WCTs

Old version vs. New version:

	CPA exams (2011 – March 2017)	CPA exams w.e.f. April 2017
Skill-level tested	<ul style="list-style-type: none"> • Remembering & Understanding • Application 	<ul style="list-style-type: none"> • Remembering & Understanding • Application • Analysis • Evaluation (for AUD only)
Exam structure & scoring weights	FAR: 90 MCQs (60%), 7 TBSs (40%) AUD: 90 MCQs (60%), 7 TBSs (40%) REG: 72 MCQs (60%), 6 TBSs (40%) BEC: 72 MCQs (85%), 3 WCTs (15%)	FAR: 66 MCQs (50%), 8 TBSs (50%) AUD: 72 MCQs (50%), 8 TBSs (50%) REG: 76 MCQs (50%), 8 TBSs (50%) BEC: 62 MCQs (50%), 4 TBSs (35%), 3 WCTs (15%)
# of Testlets	4 testlets: 3 MCQ testlets + 1 TBS/WCT testlet	5 testlets: 2 MCQ testlets + 3 TBS/WCT testlets
Time Allotment	FAR: 4 hours AUD: 4 hours REG: 3 hours BEC: 3 hours	FAR: 4 hours AUD: 4 hours REG: 4 hours BEC: 4 hours
Break	Optional breaks (count against time)	15-min Standard break (after Testlet #3) + Optional breaks (count against time)

* MCQ - Multiple Choice Question | TBS - Task Based Simulation | WCT - Written Communication Task

AUD-1.3: PCAOB [reorganized PCAOB AS]

- PCAOB reorganized the PCAOB AS which are effective as of Dec 31, 2016, which places the PCAOB-issued standards and the ASB-issued standards into a single topical structure with an integrated numbering system with a logical flow that generally follows the audit process
 - Initially, PCAOB AS consisted of a combination of 2 sets of standards
 - ✓ Standards issued by the PCAOB
 - ✓ Standards originally issued by the AICPA's ASB but adopted by the PCAOB on an interim transitional basis
 - Effective Dec 31, 2016, PCAOB AS grouped under the following categories:
 - ✓ General Auditing Standards (AS 1000s)
 - ✓ Audit procedures (AS 2000s)
 - ✓ Auditor reporting (AS 3000s)
 - ✓ Matters relating to filing under federal securities laws (AS 4000s)
 - ✓ Other matters associated with audits (AS 6000s)

- **PCAOB AS (reorganized standards effective Dec 31, 2016):**
 - **General Auditing Standards (AS 1000s)**
 - ✓ 1000 General Principles and Responsibilities
 - ⇒ AS 1001: Responsibilities and Functions of the Independent Auditor
 - ⇒ AS 1005: Independence
 - ⇒ AS 1010: Training and Proficiency of the Independent Auditor
 - ⇒ AS 1015: Due Professional Care in the Performance of Work
 - ✓ 1100 General Concepts
 - ⇒ AS 1101: Audit Risk
 - ⇒ AS 1105: Audit Evidence
 - ⇒ AS 1110: Relationship of Auditing Standards to Quality Control Standards
 - ✓ 1200 General Activities
 - ⇒ AS 1201: Supervision of the Audit Engagement
 - ⇒ AS 1205: Part of the Audit Performed by Other Independent Auditors
 - ⇒ AS 1210: Using the Work of a Specialist
 - ⇒ AS 1215: Audit Documentation
 - ⇒ AS 1220: Engagement Quality Review
 - ✓ 1300 Auditor Communications
 - ⇒ AS 1301: Communications with Audit Committees
 - ⇒ AS 1305: Communications About Control Deficiencies in an Audit of Financial Statements
 - **Audit Procedures (AS 2000s)**
 - ✓ 2100 Audit Planning and Risk Assessment
 - ⇒ AS 2101: Audit Planning
 - ⇒ AS 2105: Consideration of Materiality in Planning and Performing an Audit
 - ⇒ AS 2110: Identifying and Assessing Risks of Material Misstatement
 - ✓ 2200 Auditing Internal Control Over Financial Reporting
 - ⇒ AS 2201: An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements
 - ✓ 2300 Audit Procedures in Response to Risks—Nature, Timing, and Extent
 - ⇒ AS 2301: The Auditor's Responses to the Risks of Material Misstatement
 - ⇒ AS 2305: Substantive Analytical Procedures

- ⇒ AS 2310: The Confirmation Process
- ⇒ AS 2315: Audit Sampling
- ✓ 2400 Audit Procedures for Specific Aspects of the Audit
 - ⇒ AS 2401: Consideration of Fraud in a Financial Statement Audit
 - ⇒ AS 2405: Illegal Acts by Clients
 - ⇒ AS 2410: Related Parties
 - ⇒ AS 2415: Consideration of an Entity's Ability to Continue as a Going Concern
- ✓ 2500 Audit Procedures for Certain Accounts or Disclosures
 - ⇒ AS 2501: Auditing Accounting Estimates
 - ⇒ AS 2502: Auditing Fair Value Measurements and Disclosures
 - ⇒ AS 2503: Auditing Derivative Instruments, Hedging Activities, and Investments in Securities
 - ⇒ AS 2505: Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments
 - ⇒ AS 2510: Auditing Inventories
- ✓ 2600 Special Topics
 - ⇒ AS 2601: Consideration of an Entity's Use of a Service Organization
 - ⇒ AS 2605: Consideration of the Internal Audit Function
 - ⇒ AS 2610: Initial Audits—Communications Between Predecessor and Successor Auditors
- ✓ 2700 Auditor's Responsibilities Regarding Supplemental and Other Information
 - ⇒ AS 2701: Auditing Supplemental Information Accompanying Audited Financial Statements
 - ⇒ AS 2705: Required Supplementary Information
 - ⇒ AS 2710: Other Information in Documents Containing Audited Financial Statements
- ✓ 2800 Concluding Audit Procedures
 - ⇒ AS 2801: Subsequent Events
 - ⇒ AS 2805: Management Representations
 - ⇒ AS 2810: Evaluating Audit Results
 - ⇒ AS 2815: The Meaning of "Present Fairly in Conformity with Generally Accepted Accounting Principles"
 - ⇒ AS 2820: Evaluating Consistency of Financial Statements
- ✓ 2900 Post-Audit Matters
 - ⇒ AS 2901: Consideration of Omitted Procedures After the Report Date
 - ⇒ AS 2905: Subsequent Discovery of Facts Existing at the Date of the Auditor's Report
- **Auditor Reporting (AS 3000s)**
 - ✓ 3100 Reporting on Audits of Financial Statements
 - ⇒ AS 3101: Reports on Audited Financial Statements
 - ⇒ AS 3110: Dating of the Independent Auditor's Report
 - ✓ 3300 Other Reporting Topics
 - ⇒ AS 3305: Special Reports
 - ⇒ AS 3310: Special Reports on Regulated Companies
 - ⇒ AS 3315: Reporting on Condensed Financial Statements and Selected Financial Data
 - ⇒ AS 3320: Association with Financial Statements
- **Matters Relating to Filing Under Federal Securities laws (AS 4000s)**
 - ⇒ AS 4101: Responsibilities Regarding Filings Under Federal Securities Statutes
 - ⇒ AS 4105: Reviews of Interim Financial Information
- **Other Matters Associated with Audits (AS 6000s)**
 - ⇒ AS 6101: Letters for Underwriters and Certain Other Requesting Parties
 - ⇒ AS 6105: Reports on the Application of Accounting Principles
 - ⇒ AS 6110: Compliance Auditing Considerations in Audits of Recipients of Governmental Financial Assistance
 - ⇒ AS 6115: Reporting on Whether a Previously Reported Material Weakness Continues to Exist

AUD-3.4: I/C Reports and Communications [SAS 130 changes with regards to Integrated Audit for Non-issuers; review in conjunction with old content]

➤ Applicability of I/C Communications

	F/S Audit (Non-issuers)	Integrated Audit (Non-issuers – as per GAAS)	Integrated Audit (Issuers – as per PCAOB AS)
Purpose of the audit engagement	Express an opinion on the F/S and NOT to express an opinion on the effectiveness of I/C	Optional for non-issuers to have an audit of ICFR that is integrated with audit of the entity's F/S	All issuers are required to have an audit of ICFR that is integrated with audit of the entity's F/S
Governing Standards	Statements on Auditing Standards (SAS)	→	Public Company Accounting Oversight Board (PCAOB) auditing standards
Opinion on I/C in the audit report	No opinion, disclaimer that the purpose of the audit is an opinion on F/S, not I/C		← Opinion whether management maintained effective ICFR
Performance of Test of Controls	Not required to perform test of controls. Performed per auditor's judgment (generally if initial assessment of Control Risk is below maximum)		← Required to audit the design and operating effectiveness of ICFR
Auditor Look-out for I/C deficiencies	Not looking out for any deficiencies in I/C. But must evaluate any control deficiency which comes to the auditor's notice		← Looking out for material weaknesses in I/C. But must evaluate any control deficiency which comes to the auditor's notice
Communication of control deficiencies	Not required to communicate	[But time allowed is within 60 days of release date]	← Required to communicate by the release date of audit report of audit report to management only (not those charged with governance)
Communication of significant deficiencies & material weakness	Required to communicate within 60 days of release date of audit report both to management and those charged with governance		← Required to communicate by the release date of audit report both to management and those charged with governance
Use of report	Limited use statement for management only (no general viewing as the auditor only looked at controls that were reliable)		← For General distribution

III) Integrated Audit (required for issuer & optional for non-issuer)

➤ Issuers & Non-issuers

- **Issuers:** Subject to the requirements of **PCAOB AS**, the auditor will have to also **perform an audit of I/C over financial reporting (ICFR) that is Integrated with an audit of F/S** (to ensure compliance with Rule 404 of SOX; provisions detailed out in PCAOB AS 2201)
- **Non-issuers: Audit of ICFR is optional;** but subject to requirements of **GAAS** when conducted
 - ✓ **Earlier:** The auditor could be engaged for an attestation engagement on ICFR (per SSAE standards) integrated with an audit of F/S (i.e., attest of ICFR + audit of F/S). This is no longer applicable
 - ✓ **Effective Dec 15, 2016: AU-C 940 applies** which details out the provisions **if an auditor is engaged to perform an audit of ICFR integrated with an audit of F/S**
 - ⇒ Note again that the audit of ICFR is optional for non-issuers; but if the non-issuer wants to opt for it, it needs to an integrated audit per GAAS
- **Difference between Issuers & Non-Issuers requirements & guidance for audit of ICFR in an Integrated Audit:**

	Issuers – ICFR Audit	Non-Issuers – ICFR Audit
Required?	Mandatory	Optional
Governing Standards	PCAOB AS 2201	GAAS AU-C 940 [note: requirements & guidance are almost identical to PCAOB AS 2201]
Communication of control deficiencies	Required to communicate by the release date of audit report of audit report to management only (not those charged with governance)	Same requirement; but time allowed is within 60 days of release date
Communication of significant deficiencies & material weakness	Required to communicate by the release date of audit report both to management and those charged with governance	Same requirement
Integrated Audit Report	May present a separate or combined report of the audit of F/S and audit of ICFR	Same requirement, but format of the report is slightly different; also, report refers to GAAS (not PCAOB AS)

➤ **Non-Issuer unmodified ICFR Report (if separate reports are issued for F/S & ICFR audits):**

Independent Auditor's Report

[Appropriate Addressee]

We have audited ABC Company's internal control over financial reporting as of December 31, 20XX, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria).

Management's Responsibility for Internal Control Over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying [title of management's report].

Auditor's Responsibility

Our responsibility is to express an opinion on the entity's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, ABC Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 20XX, based on the COSO criteria.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the [identify financial statements] of ABC Company, and our report dated [date of report, which should be the same as the date of the report on the audit of ICFR] expressed [include nature of opinion].

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

Non-Issuer unmodified Combined F/S and ICFR report (F/S audit report covered in AUD-6):

Independent Auditor's Report

[Appropriate Addressee]

We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as of December 31, 20XX, 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. We also have audited ABC Company's internal control over financial reporting as of December 31, 20XX, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria).

Management's Responsibility for the Financial Statements and Internal Control Over Financial Reporting

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 effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying [title of management's report].

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the entity's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements 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. An audit of financial statements 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.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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, 20XX, 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. Also, in our opinion, ABC Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 20XX, based on the COSO criteria.

[Auditor's signature]

[Auditor's city and state]

[Date of the auditor's report]

➤ **Modifications to ICFR report:**

- Existence of one or more **material weaknesses = adverse opinion**
 - ✓ Report will include
 - ⇒ Definition of a material weakness
 - ⇒ Statement that material weakness(es) have been identified and an identification of the material weakness(es) described in management's assessment of ICFR
 - However, if material weakness(es) identified by the auditor are not included in management's assessment, auditor's report will be modified to state that the material weakness(es) have been identified but not included in management's report. Besides, auditor's report would need to include a description of these material weakness(es)
 - ⇒ Disclosure whether or not the opinion on F/S has been affected by the material weakness(es)
 - ✓ Illustrative Non-Issuer report with adverse opinion on ICFR:

[Introductory paragraph]

Management's Responsibility for Internal Control Over Financial Reporting

Auditor's Responsibility

Definition and Inherent Limitations of Internal Control Over Financial Reporting

Basis for Adverse Opinion

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The following material weakness has been identified and included in the accompanying [title of management's report].

[Identify the material weakness described in management's report.]

Adverse Opinion

In our opinion, because of the effect of the material weakness described in the Basis for Adverse Opinion paragraph on the achievement of the objectives of the COSO criteria, ABC Company has not maintained effective internal control over financial reporting as of December 31, 20XX, based on the COSO criteria.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the [identify financial statements] of ABC Company, and our report dated [date of report, which should be the same as the date of the report on the audit of ICFR] expressed [include nature of opinion]. We considered the material weakness identified above in determining the nature, timing, and extent of audit procedures applied in our audit of the 20XX financial statements, and this report does not affect such report on the financial statements.

- Existence of a **scope limitation = withdraw OR disclaimer**
 - ✓ For disclaimer due to scope limitation - State that the auditor does “not” express an opinion on the effectiveness of ICFR; along with substantive reasons for the disclaimer
 - ⇒ Do not identify the procedures performed; also, do not include statements describing characteristics of an audit of ICFR
 - ⇒ For disclaimer due to scope limitation + Material weakness identified = Besides the disclaimer, auditor's report also should include definition of a material weakness and description of the material weakness(es) identified
 - ✓ If scope limitation because management refuses to furnish a written assessment on the effectiveness of ICFR - Auditor should withdraw from the integrated audit engagement
 - ⇒ If withdrawal is not possible under applicable law or regulation, the auditor should disclaim an opinion on ICFR and consider the implications on F/S audit
 - ✓ Illustrative Non-Issuer report with disclaimer of opinion on ICFR:

[Introductory paragraph]

We were engaged to audit ABC Company's internal control over financial reporting as of December 31, 20XX, based on criteria established in the Internal Control—Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria).

Management’s Responsibility for Internal Control Over Financial Reporting

Auditor’s Responsibility

Our responsibility is to express an opinion on ABC Company's internal control over financial reporting based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

Basis for Disclaimer of Opinion

[Provide a description of the matter giving rise to the disclaimer of opinion.]

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the effectiveness of ABC Company's internal control over financial reporting.

Report on Financial Statements

- Concerns/variation of management's report on ICFR
 - ✓ Elements are incomplete or improperly presented in management's report and management does not revise the report - Auditor should modify the report on ICFR and detail this (in explanatory/other-matter para)
 - ✓ Additional info contained in management's report - If management's report includes info in addition to what is subject to the auditor's evaluation, the auditor should
 - ⇒ Disclaim opinion in reference to the additional info (in explanatory/other-matter para)
 - ⇒ Read the additional info to ensure that it is not materially inconsistent or misstated
- Making reference to a component auditor [similar rules as in AUD-6.4, Audit of Group F/S]
 - ✓ No reference to component auditor should be made if the group engagement auditor assumes responsibility for the work of the component auditor
 - ✓ May make reference to component auditor (i.e., shared responsibility opinion) only if group engagement auditor is satisfied that the component auditor has audited ICFR of the entity's component (e.g., subsidiary) as per GAAS/PCAOB AS (as applicable) and the component auditor has also issued a report on ICFR not restricted as to use

AUD-6.1 (I B): PCAOB Audit [SAS 131 changes]

- Note: If the auditor conducts an audit of F/S per PCAOB AS, but the audit is not within the jurisdiction of the PCAOB, the auditor is required to **also** conduct the audit per GAAS
 - Auditor's report would refer to both PCAOB AS and GAAS
 - Examples of entities whose audits are not within the jurisdiction of the PCAOB include clearing agencies and futures commission merchants registered with the Commodity Futures Trading Commission (CFTC), as well as certain other entities registered with the CFTC that are not also SEC-registered brokers and dealers

AUD-7.1: Compilation & Reviews (SSARS) [Errata regarding referencing Accountant's report on the F/S]

➤ **Accountant's Compilation Report**

- Accountant may request management to include a reference like 'See Accountant's Compilation Report' on each page of F/S (to avoid any unintended level of reliance on F/S by any user)

➤ **Accountant's Review report**

- ~~Each page of the F/S should state "See Accountant's Review Report"~~

AUD-7.3: Attestation Engagements (SSAE) [further to SAS 130, attest engagement on Internal control over financial reporting no longer applicable]

IV) Internal control over financial reporting: No longer attest

- Earlier: For non-issuers, the auditor could be engaged for an attest engagement on ICFR (per SSAE standards) integrated with an audit of F/S (i.e., attest of ICFR + audit of F/S). No longer applicable
- Effective Dec 15, 2016: AU-C 940 applies which details out the provisions if an auditor is engaged to perform an audit of ICFR integrated with an audit of F/S
 - Note again that the audit of ICFR is optional for non-issuers; but if the non-issuer wants to opt for it, it needs to an integrated audit per GAAS