2018 AUD Book Update

Page numbers refer to 2018 AUD textbook pages. When new/edited text is shown along with old text, the new/edited text is highlighted in gray, unless noted otherwise. For those who prefer to purchase a new textbook, please visit https://www.rogercpareview.com/cpa-courses/textbooks.

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Qualification of Auditor and Quality of Work

To perform an audit, the auditor is responsible for:

- Having appropriate competence and capabilities in the form of adequate technical training and proficiency as an auditor.
- Complying with relevant ethical requirements, including remaining independent from the audit client.
- Maintaining professional skepticism and exercising professional judgment.
  - Professional skepticism reflects an iterative process that includes a questioning mind and a critical assessment of audit evidence. It is essential to the practice of public accounting and the work of newly licensed CPAs.
Auditor Reporting

3100 – Reporting on Audits of Financial Statements

AS 3101: The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion

AS 3105: Departures from Unqualified Opinions and Other Reporting Circumstances

AS 3110: Dating of the Independent Auditor’s Report
Audits and reviews are considered **attest engagements**. An attest engagement is an engagement that requires independence as defined by the AICPA professional standards. In the professional literature, compilations sometimes are classified as attest engagements and sometimes not, since SSARS allows a CPA to perform a compilation when not independent provided certain requirements are met, including that the compilation report discloses the lack of independence. Thus, a compilation may be considered an attest engagement when the accountant is independent, but nonattest when the accountant lacks independence. For simplification purposes, we have labeled compilations as nonattest since they technically do not require independence. Until this discrepancy is resolved within the standards, it is highly unlikely that the examiners will ask candidates whether compilations are attest engagements.
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of ABC Company

Results of Review of Interim [Financial Information or Statements]

We have reviewed the accompanying [describe the interim financial information or statements reviewed] of ABC Company (the “Company”) and consolidated subsidiaries as of September 30, 20X1, and for the three-month and nine-month periods then ended, and the related notes [and schedules] (collectively referred to as the “interim financial information or statements”). Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information (statements) for it (them) to be in conformity with accounting principles generally accepted in the United States of America.

Basis for Review Results

This (These) interim financial information (statements) is (are) the responsibility of the Company's management. We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

[Signature]

[City and State or Country]

[Date - completion of the review procedures]
When third-party users seek some level of assurance regarding prospective F/S, an accountant may perform an attestation engagement to provide that assurance. There are two different types of engagements that an accountant may undertake in connection with prospective F/S:

- **Examination** – The accountant expresses an opinion on the prospective statements.
- **Agreed-Upon Procedures** – The accountant applies tests that are the result of an agreement between the CPA, the client, and a third party with whom the client is negotiating. Such an engagement can only result in a report for **limited use**, even when it involves a forecast.

  - Note: As previously mentioned, a review of prospective F/S is not allowed. Also, while compilations of prospective financial statements are allowed, they are not attestation engagements and are thus covered under SSARS.