2019 AUD Book Errata

Oops! Since publishing the 2019 AUD text, we have found the following issues. When new/edited text is shown along with old text, the new/edited text is highlighted in gray, unless noted otherwise.

Page 9-1 (The following 3 edits are to realign the titles of Lectures 9.01 and 9.02 with the material Roger covers in these lectures.)

Lecture 9.01 – IT Environment
A tool for establishing security is a firewall, which prevents unauthorized users from accessing data. A firewall can be in the form of a computer program (software) or a physical device that blocks the transmission media being used (hardware). A network firewall is designed to prevent unauthorized access to the company computers, while application firewalls protect individual programs. Network firewalls are easier and cheaper to implement, but if penetrated, leave the computers at severe risk. Application firewalls need to be installed for each individual program the company wishes to protect, but allow additional user authentication procedures to protect the program and data and make access more difficult.

Lecture 9.02 – Controls & XBRL

General Controls
Since the auditor will usually want to rely heavily on the internal control structure of a computer-based accounting system, gaining an understanding of the internal control structure is crucial. Initially, the focus of the auditor will be on understanding the general controls that relate to the overall integrity of the system. Later, the auditor may examine application controls that relate to the performance of individual computer programs. If the general controls are poor, it is unlikely that the application controls will be effective, no matter how strong they are.
Lecture 9.02 – Controls & XBRL (continued)
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
on Internal Control over Financial Reporting (PCAOB AS 2201)

To the shareholders and the board of directors of ABC, Inc.

Opinion on Internal Control over Financial Reporting

We have audited ABC, Inc.’s internal control over financial reporting as of January 31, 20X8, based on criteria established in Internal Control–Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 20X8, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the consolidated balance sheets of ABC, Inc. as of January 31, 20X8 and 20X7, and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the three years in the period ended January 31, 20X8 and our report dated March 26, 20X8 expressed an unqualified opinion thereon.

Basis for Opinion

ABC Inc.’s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying [title of management’s report]. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’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 company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’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 misstatements. Also, projections of any evaluation 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.

W. Philipp, CPAs
SF, CA
March 26, 20X8
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (ISSUER)

To the shareholders and the board of directors of Roger Company

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying balance sheets of Roger Company (the “Company”) as of December 31, 20X8 and 20X7, and the related statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 20X8, and the related notes [and schedules] (collectively referred to as the “financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 20X8, based on criteria established in Internal Control – Integrated Framework issued by COSO.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 20X8 and 20X7, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 20X8 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 20X8, based on criteria established in Internal Control – Integrated Framework issued by COSO.

Basis for Opinion

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying [title of management’s report]. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company'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 company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company'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 misstatements. Also, projections of any evaluation 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.

Critical Audit Matters [if applicable]

[Include critical audit matters]

Aaron & Co. CPAs
We have served as the Company's auditor since 20X1.
San Francisco, California, United States of America
February 20X9