



Agenda Item 2K

AU-C Section 725

Supplementary Information in Relation to the Financial Statements as a Whole

(With SAS No. 118 supersedes SAS No. 29.)

Source: SAS No. 119; SAS No. 122; SAS No. 125.

See [section 9725](#) for interpretations of this section.

Effective for audits of financial statements for periods beginning on or after December 15, 2010, unless otherwise indicated. Early application is permitted.

NOTE

To address practice issues, Statement on Auditing Standards (SAS) No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, was issued in February 2010 as a SAS resulting from the Clarification and Convergence Project of the Auditing Standards Board, and became effective for audits of financial statements for periods beginning on or after December 15, 2010.

SAS No. 119 was previously codified as AU section 551 until December 2013, when all AU sections were deleted from AICPA *Professional Standards*, as described in the AU-C Foreword. SAS No. 122, *Statement on Auditing Standards: Clarification and Recodification*, redesignated AU section 551 as section 725 but did not supersede SAS No. 119.

This section contains conforming changes necessary in specific paragraphs and footnotes due to the issuance of SAS No. 122.

Introduction

Scope of This Section

.01 This section addresses the auditor's responsibility when engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. The information covered by this section is presented outside the basic financial statements and is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework. This section also may be applied, with the report wording adapted as necessary, when an auditor has been engaged to report on whether required supplementary information^{fn 1} is fairly stated, in all material respects, in relation to the financial statements as a whole. (Ref: [par. .A1-.A6](#))

Effective Date

.02 This section is effective for audits of financial statements for periods beginning on or after December 15, 2010. Early application is permitted.

Objective

- .03** The objective of the auditor, when engaged to report on supplementary information in relation to the financial statements as a whole, is to
- a. evaluate the presentation of the supplementary information in relation to the financial statements as a whole and
 - b. report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Definition

.04 For purposes of generally accepted auditing standards, the following term has the meaning attributed as follows:

Supplementary information. Information presented outside the basic financial statements, excluding required supplementary information that is not considered necessary for the financial statements to be fairly presented in accordance with the applicable financial reporting framework.

^{fn 1} *Required supplementary information* is defined in [paragraph .04](#) of section 730, *Required Supplementary Information*. [Footnote revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

Such information may be presented in a document containing the audited financial statements or separate from the financial statements. (Ref: [par. .A7-.A8](#))

[Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

Requirements

Procedures to Determine Whether Supplementary Information Is Fairly Stated, in All Material Respects, in Relation to the Financial Statements as a Whole (Ref: [par. .A9-.A15](#))

.05 In order to opine on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, the auditor should determine that all of the following conditions are met:

- a. The supplementary information was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements.
- b. The supplementary information relates to the same period as the financial statements.
- c. The auditor issued an audit report on the financial statements that contained neither an adverse opinion nor a disclaimer of opinion. ([Paragraph .11](#) addresses reporting while not opining on supplementary information when the report on the financial statements contains an adverse opinion or a disclaimer of opinion.)
- d. The supplementary information will accompany the entity's audited financial statements, or such audited financial statements will be made readily available by the entity. (Ref: [par. .A9](#))

[Revised, April 2012 and January 2013, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

.06 The auditor should obtain the agreement of management that it acknowledges and understands its responsibility

- a. for the preparation of the supplementary information in accordance with the applicable criteria.
- b. to provide the auditor with the written representations described in [paragraph .07g](#).
- c. to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information.
- d. to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the au-

dated financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. (Ref: [par. .A9](#))

.07 In addition to the procedures performed during the audit of the financial statements, in order to opine on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, the auditor should perform the following procedures using the same materiality level used in the audit of the financial statements:

- a. Inquire of management about the purpose of the supplementary information and the criteria used by management to prepare the supplementary information, such as an applicable financial reporting framework, criteria established by a regulator, a contractual agreement, or other requirements
- b. Determine whether the form and content of the supplementary information complies with the applicable criteria
- c. Obtain an understanding about the methods of preparing the supplementary information and determine whether the methods of preparing the supplementary information have changed from those used in the prior period and, if the methods have changed, the reasons for such changes
- d. Compare and reconcile the supplementary information to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves
- e. Inquire of management about any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information
- f. Evaluate the appropriateness and completeness of the supplementary information, considering the results of the procedures performed and other knowledge obtained during the audit of the financial statements (Ref: [par. .A13](#))
- g. Obtain written representations from management
 - i. that it acknowledges its responsibility for the presentation of the supplementary information in accordance with the applicable criteria;
 - ii. that it believes the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria;
 - iii. that the methods of measurement or presentation have not changed from those used in the prior period or, if the methods of measurement or presentation have changed, the reasons for such changes;

- iv. about any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information; and
- v. that when the supplementary information is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the entity of the supplementary information and the auditor's report thereon. (Ref: [par. .A9](#))

.08 The auditor has no responsibility for the consideration of subsequent events with respect to the supplementary information. However, if information comes to the auditor's attention

- a. prior to the release of the auditor's report on the financial statements regarding subsequent events that affect the financial statements, or
- b. subsequent to the release of the auditor's report on the financial statements regarding facts that, had they been known to the auditor at the date of the auditor's report, may have caused the auditor to revise the auditor's report,

the auditor should apply the relevant requirements in section 560, *Subsequent Events and Subsequently Discovered Facts*. [Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

Reporting

.09 When the entity presents the supplementary information with the financial statements, the auditor should report on the supplementary information in either (a) an other-matter paragraph in accordance with [section 706](#), *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*, or (b) in a separate report on the supplementary information.^{fn 2} The other-matter paragraph or separate report should include the following elements:

- a. A statement that the audit was conducted for the purpose of forming an opinion on the financial statements as a whole
- b. A statement that the supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements

^{fn 2} [Paragraph .08](#) of section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*. [Footnote added, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

- c. A statement that the supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements
- d. A statement that the supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, **performing procedures to test the completeness and accuracy of the information presented in the supplementary information**, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America
- e. **A statement that in forming the auditor's opinion, the auditor evaluated whether supplemental information, including its form and content, complies, in all material respects, with the specified regulatory requirements or other criteria, if applicable**
- f. **A statement, if applicable, that the supplemental information is presented on a basis that differs from the financial statements and is not prescribed by regulatory requirements. When such a statement is made, the report should describe the basis for the supplemental information presentation.**
- g. If the auditor issues an unmodified opinion on the financial statements and the auditor has concluded that the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, a statement that, in the auditor's opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole
- fh. If the auditor issues a qualified opinion on the financial statements and the qualification has an effect on the supplementary information, a statement that, in the auditor's opinion, except for the effects on the supplementary information of (refer to the paragraph in the auditor's report explaining the qualification), such information is fairly stated, in all material respects, in relation to the financial statements as a whole

[Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

- .10** When the audited financial statements are not presented with the supplementary information, the auditor should report on the supplementary information in a separate report. When reporting separately on the supplementary information, the report should include, in addition to the elements in [paragraph .09](#), a reference to the report on the financial statements, the date of that report, the nature of the opinion expressed on the financial statements, and any report modifications. (Ref: [par. .A16](#))

- .11** When the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion and the auditor has been engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to such financial statements as a whole, the auditor is precluded from expressing an opinion on the supplementary information. When permitted by law or regulation, the auditor may withdraw from the engagement to report on the supplementary information. If the auditor does not withdraw, the auditor's report on the supplementary information should state that because of the significance of the matter disclosed in the auditor's report, it is inappropriate to, and the auditor does not, express an opinion on the supplementary information.
- .12** The date of the auditor's report on the supplementary information in relation to the financial statements as a whole should not be earlier than the date on which the auditor completed the procedures required in [paragraph .07](#).
- .13** If the auditor concludes, on the basis of the procedures performed, that the supplementary information is materially misstated in relation to the financial statements as a whole, the auditor should discuss the matter with management and propose appropriate revision of the supplementary information. If management does not revise the supplementary information, the auditor should either
- a. modify the auditor's opinion on the supplementary information and describe the misstatement in the auditor's report or
 - b. if a separate report is being issued on the supplementary information, withhold the auditor's report on the supplementary information.

Application and Other Explanatory Material

Scope of This Section (Ref: [par. .01](#))

- .A1**The auditor's responsibility for information that a designated accounting standard setter^{fn 3} requires to accompany an entity's basic financial statements is addressed in [section 730](#), *Required Supplementary Information*. [Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]
- .A2**The auditor's responsibility for financial and nonfinancial information (other than the financial statements and the auditor's report thereon) that is included in a document containing audited financial statements and the auditor's report thereon, excluding required supplementary information, is addressed in [section](#)

^{fn 3} *Designated accounting standards setter* is defined in [paragraph .04](#) of section 730. [Footnote renumbered and revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

720, *Other Information in Documents Containing Audited Financial Statements*. [Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

- .A3**The supplementary information need not be presented with the audited financial statements in order for the auditor to express an opinion on whether such supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. However, in accordance with [paragraph .10](#), if the supplementary information is not presented with the audited financial statements, the auditor's report on the supplementary information is required to make reference to the auditor's report on the financial statements.
- .A4**The auditor may be engaged to audit a specified element, account, or item of a financial statement for the purpose of a separate presentation, in accordance with section 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*. In such an engagement, the auditor's procedures are designed to provide the auditor with reasonable assurance that the supplementary information is not misstated by an amount that would be material to the information itself. An engagement to examine the supplementary information or an assertion related to the supplementary information also may be performed in accordance with AT-C section 205, *Examination Engagements*. [Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122. Revised, April 2017, to reflect conforming changes necessary due to the issuance of SSAE No. 18.]
- .A5**Although an auditor has no obligation to apply auditing procedures to supplementary information presented outside the basic financial statements, the auditor may choose to modify or redirect certain of the procedures to be applied in the audit of the basic financial statements so that the auditor may express an opinion on the supplementary information in relation to the financial statements as a whole.
- .A6**Management may include nonaccounting information and accounting information that is not directly related to the basic financial statements in a document containing the basic financial statements. Ordinarily, such information would not have been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, the auditor would be unable to opine on the information in relation to the financial statements as a whole. In some circumstances, however, such information may have been obtained or derived from accounting records that have been tested by the auditor (for example, number of units produced related to royalties under a license agreement or number of employees related to a given payroll period). Accordingly, the auditor may be in a position to express an opinion on such information in relation to the financial statements as a whole.

Definition (Ref: [par. .04](#))

- .A7**Supplementary information includes additional details or explanations of items in or related to the basic financial statements, consolidating information, historical summaries of items extracted from the basic financial statements, statistical data, and other material, some of which may be from sources outside the accounting system or outside the entity.

.A8 Supplementary information may be prepared in accordance with an applicable financial reporting framework, by regulatory or contractual requirements, in accordance with management's criteria, or in accordance with other requirements.

Procedures to Determine Whether Supplementary Information Is Fairly Stated, in All Material Respects, in Relation to the Financial Statements as a Whole (Ref: [par. .05-.08](#))

The Meaning of Readily Available (Ref: [par. .05e](#), [.06d](#), and [.07f](#))

.A9 Audited financial statements are deemed to be readily available if a third party user can obtain the audited financial statements without any further action by the entity. For example, financial statements on an entity's website may be considered readily available, but being available upon request is not considered readily available.

Procedures Performed on Supplementary Information (Ref: [par. .07](#))

.A10 When engaged to report on supplementary information in relation to the financial statements as a whole, the auditor need not apply procedures as extensive as would be necessary to express an opinion on the information on a stand-alone basis.

.A11 With respect to the supplementary information, the auditor is not required to obtain a separate understanding of the entity's internal control or to assess fraud risk.

.A12 The auditor may consider materiality in determining which information to compare and reconcile to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves.

.A13 In evaluating the appropriateness and completeness of the supplementary information as required by [paragraph 07f](#), the auditor may consider testing accounting or other records through observation or examination of source documents or other procedures ordinarily performed in an audit of the financial statements, *as well as evaluating misstatements regarding the supplemental information identified during performance of audit procedures in accordance with section 450, Evaluation of Misstatements Identified During the Audit.*

.A14 The auditor may consider whether it is appropriate to address the supplementary information in procedures that the auditor performs in auditing the financial statements, including, but not limited to, the following:

- a. Obtaining an updated representation letter, in accordance with section 580, *Written Representations*^{fn 4}
- b. Performing subsequent events procedures, in accordance with section 560
- c. Sending a letter of audit inquiry to the client's lawyer specifically regarding the information contained in the supplementary information, in accordance with section 501, *Audit Evidence—Specific Considerations for Selected Items*^{fn 5}

[Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

Considerations Specific to Audits of Governmental Entities

.A15 For most state and local governments, the auditor's report on the financial statements includes multiple opinions to address individual reporting units or aggregation of reporting units of the governmental entity. Accordingly, materiality is considered by the auditor for each opinion unit. However, in the context of this section, the auditor's opinion on the supplementary information is in relation to the financial statements as a whole. Accordingly, in this situation, materiality is considered at a level that represents the entire governmental entity.

Reporting (Ref: [par. .09–.13](#))

.A16 When reporting on supplementary information in a separate report, the auditor may consider including an alert that restricts the use of the separate report solely to the appropriate specified parties, in accordance with section 905, *Alert That Restricts the Use of the Auditor's Written Communication*, to avoid potential misinterpretation or misunderstanding of the supplementary information that is not presented with the financial statements. [Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122. As amended, effective for the auditor's written communications related to audits of financial statements for periods ending on or after December 15, 2012, by SAS No. 125.]

^{fn 4} Paragraph .A24 of section 580, *Written Representations*. [Footnote added, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

^{fn 5} Paragraphs .18–.24 of section 501, *Audit Evidence—Specific Considerations for Selected Items*. [Footnote added, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

- A17.** *If the supplemental information consists of two or more schedules, and the auditor is able to obtain sufficient appropriate audit evidence to support an opinion on some but not all schedules, the auditor is permitted to express an opinion on only those schedules for which sufficient appropriate evidence was obtained and disclaim an opinion on the other schedules.*

Exhibit — Illustrative Reporting Examples When the Auditor Is Reporting on Supplementary Information in Relation to the Financial Statements as a Whole

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[Illustration 1](#) — An Other-Matter Paragraph When the Auditor Is Issuing an Unmodified Opinion on the Financial Statements and an Unmodified Opinion on the Supplementary Information

[Illustration 2](#) — An Other-Matter Paragraph When the Auditor Is Issuing a Qualified Opinion on the Financial Statements and a Qualified Opinion on the Supplementary Information

[Illustration 3](#) — An Other-Matter Paragraph When the Auditor Is Disclaiming an Opinion on the Financial Statements

[Illustration 4](#) — An Other-Matter Paragraph When the Auditor Is Issuing an Adverse Opinion on the Financial Statements

[Illustration 5](#) — A Separate Report When the Auditor Is Issuing an Unmodified Opinion on the Financial Statements and an Unmodified Opinion on the Supplementary Information

[Illustration 6](#) — A Separate Report When the Auditor Is Issuing a Qualified Opinion on the Financial Statements and a Qualified Opinion on the Supplementary Information

[Illustration 7](#) — A Separate Report When the Auditor Is Disclaiming an Opinion on the Financial Statements

[Illustration 8](#) — A Separate Report When the Auditor Is Issuing an Adverse Opinion on the Financial Statements

Illustration 1 — An Other-Matter Paragraph When the Auditor Is Issuing an Unmodified Opinion on the Financial Statements and an Unmodified Opinion on the Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The [*identify accompanying supplementary information*] is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

financial statements or to the financial statements themselves, *performing procedures to test the completeness and accuracy of the information presented in the information*, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. *In forming our opinion on the information, we evaluated whether the [supplementary information], including its form and content, is presented in conformity with [specify the relevant regulatory requirement or other criteria, if any].* In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Illustration 2 — An Other-Matter Paragraph When the Auditor Is Issuing a Qualified Opinion on the Financial Statements and a Qualified Opinion on the Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *[identify accompanying supplementary information]* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, *performing procedures to test the completeness and accuracy of the information presented in the [supplementary information]*, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. *In forming our opinion on the information, we evaluated whether the [supplementary information], including its form and content, is presented in conformity with [specify the relevant regulatory requirement or other criteria, if any].* In our opinion, except for the effect on the supplementary information of *[describe reason for qualification of the auditor's opinion on the financial statements and reference the other-matter paragraph]*, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Illustration 3 — An Other-Matter Paragraph When the Auditor Is Disclaiming an Opinion on the Financial Statements

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The *[identify accompanying supplementary information]* is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described above *[the auditor may describe the basis for the disclaimer of opinion]*, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Illustration 4 — An Other-Matter Paragraph When the Auditor Is Issuing an Adverse Opinion on the Financial Statements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The [*identify accompanying supplementary information*] is presented for the purposes of additional analysis and is not a required part of the financial statements. Because of the significance of the matter described above [*the auditor may describe the basis for the adverse opinion*], it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Illustration 5 — A Separate Report When the Auditor Is Issuing an Unmodified Opinion on the Financial Statements and an Unmodified Opinion on the Supplementary Information

We have audited the financial statements of XYZ Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated [*date of the auditor's report on the financial statements*] which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The [*identify supplementary information*] is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, *performing procedures to test the completeness and accuracy of the information presented in the [supplementary information]*, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. *In forming our opinion on the information, we evaluated whether the [supplementary information], including its form and content, is presented in conformity with [specify the relevant regulatory requirement or other criteria, if any].* In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Illustration 6 — A Separate Report When the Auditor Is Issuing a Qualified Opinion on the Financial Statements and a Qualified Opinion on the Supplementary Information

We have audited the financial statements of XYZ Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated [*date of the auditor's report on the financial statements, the nature of the opinion expressed on the financial statements, and a description of the report modifications*]. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The [*identify supplementary information*] is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, *performing procedures to test the completeness and accuracy of the information presented in the [supplementary information]*, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. *In*

forming our opinion on the information, we evaluated whether the [supplementary information], including its form and content, is presented in conformity with [specify the relevant regulatory requirement or other criteria, if any]. In our opinion, except for the effect on the accompanying information of the qualified opinion on the financial statements as described above, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Illustration 7 — A Separate Report When the Auditor Is Disclaiming an Opinion on the Financial Statements

We were engaged to audit the financial statements of XYZ Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated [*date of the auditor's report on the financial statements*]. However, the scope of our audit of the financial statements was not sufficient to enable us to express an opinion because [*describe reasons*] and accordingly we did not express an opinion on such financial statements. The [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter discussed above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Illustration 8 — A Separate Report When the Auditor Is Issuing an Adverse Opinion on the Financial Statements

We have audited the financial statements of XYZ Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated [*date of the auditor's report on the financial statements*] which stated that the financial statements are not presented fairly in accordance with [*identify the applicable financial reporting framework (for example, accounting principles generally accepted in the United States of America [GAAP])*] because [*describe reasons*]. The [*identify the supplementary information*] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Because of the significance of the matter discussed above, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

[Revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]

AU-C Section 9725

Supplementary Information in Relation to the Financial Statements as a Whole: Auditing Interpretations of [Section 725](#)

1. Dating the Auditor's Report on Supplementary Information

.01 Question—In accordance with [section 725](#), *Supplementary Information in Relation to the Financial Statements as a Whole*,^{fn 1} the auditor's report on supplementary information should not be dated earlier than the date on which the auditor completed the procedures required by [section 725](#).^{fn 2} When the auditor completes those procedures subsequent to the date of the auditor's report on the audited financial statements, the auditor is not required to obtain additional evidence with respect to the audited financial statements. When reporting on the supplementary information (either in a separate report or in an other-matter paragraph within the auditor's report on the financial statements) after the date of the auditor's report on the financial statements, how may an auditor make it clear that no additional procedures were performed on the audited financial statements subsequent to the date of the auditor's report on those financial statements?

.02 Interpretation—Although not required, an auditor may

- a. when issuing a separate report on the supplementary information, include in such report a statement that the auditor has not performed any auditing procedures with respect to the audited financial statements subsequent to the date of the auditor's report on those audited financial statements (see [paragraph .03](#) of this interpretation), or
- b. when reissuing a report on the audited financial statements to include an other-matter paragraph to report on the supplementary information, include two report dates to indicate that the date of reporting on the supplementary information is as of a later date (see [paragraph .04](#) of this interpretation).

^{fn 1} [Paragraph .12](#) of section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*.

^{fn 2} [Paragraph .07](#) of section 725.

- .03 The following illustrative separate report on supplementary information includes additional language intended to make it clear that no procedures were performed subsequent to the date of the auditor's report on the audited financial statements.

Independent Auditor's Report on [Identify Supplementary Information]

[Appropriate Addressee]

We have audited the financial statements of XYZ Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated [*date of the auditor's report on the financial statements, for example, "September 15, 20X1"*] which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. *We have not performed any procedures with respect to the audited financial statements subsequent to [date of the auditor's report on the financial statements, for example, "September 15, 20X1"]*.

The [*identify supplementary information*] is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

[Auditor's signature]

[Auditor's city and state]

December 1, 20X1 [*Date of the auditor's report on the supplementary information—not to be earlier than the date on which the auditor completed the procedures required by [section 725](#)^{fn 3}*]

^{fn 3} [Paragraph .07](#) of section 725.

.04 The following illustrative report on the audited financial statements includes an other-matter paragraph to report on supplementary information subsequent to the date of the report on the audited financial statements. For this illustration, March 31, 20X2, is the original date of the report on the audited financial statements.

Independent Auditor's Report

[Appropriate Addressee]

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of ABC Company and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 20X1 and 20X0, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABC Company and its subsidiaries as of December 31, 20X1 and 20X0, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on [*Identify Supplementary Information*]

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The [*identify accompanying supplementary information*] is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

[*Auditor's signature*]

[*Auditor's city and state*]

March 31, 20X2, except for our report on the supplementary information for which the date is June 1, 20X2 [Date of the auditor's report on the audited financial statements, with a later date used for the paragraph labeled "Report on [*identify supplementary information*]," which is as of a date not earlier than the date on which the auditor completed the procedures required by [paragraph .07](#) of section 725.]

[Issue Date: July 2011; Revised: October 2011.]