



## Agenda Item 3A (3)

### Amendments to Sections in Statement on Auditing Standards No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as Amended

(*Boldface italics* denotes new language. Deleted text is shown in ~~strikethrough~~)

#### **AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole***

[No amendment to paragraphs .01 - .08]

#### **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*~~ ***a separate section in the auditor's report on the financial statements with the heading "Supplementary Information," or other appropriate heading***, or (b) in a separate report on the supplementary information.<sup>2</sup> ~~The other-matter paragraph~~ ***supplementary information section in the auditor's report on the financial statements*** or separate report should include the following elements:

...

<sup>2</sup> ~~Paragraph .08 of section 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*~~

[No amendment to paragraphs .10 - .A16]

#### **.A17**

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

Illustration 1—~~An Other Matter Paragraph~~ ***Supplementary Information Section in the Auditor's Report on the Financial Statements*** 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~~ **Supplementary Information Section in the Auditor's Report on the Financial Statements** 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~~ **Supplementary Information Section in the Auditor's Report on the Financial Statements** When the Auditor Is Disclaiming an Opinion on the Financial Statements

Illustration 4—~~An Other Matter Paragraph~~ **Supplementary Information Section in the Auditor's Report on the Financial Statements** When the Auditor Is Issuing an Adverse Opinion on the Financial Statements

...

**Illustration 1—An Other Matter Paragraph** *Supplementary Information Section in the Auditor's Report on the Financial Statements* **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** *Supplementary Information Section in the Auditor's Report on the Financial Statements* **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** *Supplementary Information Section in the Auditor's Report on the Financial Statements* **When the Auditor Is Disclaiming an Opinion on the Financial Statements**

...

**Illustration 4—An Other Matter Paragraph** *Supplementary Information Section in the Auditor's Report on the Financial Statements* **When the Auditor Is Issuing an Adverse Opinion on the Financial Statements**

...

[No amendment to paragraphs Illustrations 5-8]

#### **AU-C Section 730, Required Supplementary Information**

[No amendment to paragraphs .01 - .06]

## Reporting

~~.07~~ The auditor should include ~~an other-matter paragraph~~ *a separate section* in the auditor's report on the financial statements *with the heading "Required Supplementary Information," or other appropriate heading* to refer to the required supplementary information in accordance with section 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.<sup>3</sup> The ~~other-matter paragraph~~ *required supplementary information section in the auditor's report on the financial statements* should include language to explain the following circumstances, as applicable:

...

<sup>3</sup>~~Paragraph .08 of section 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.~~

~~.08~~ If the entity has presented all or some of the required supplementary information, the ~~other-matter paragraph~~ *required supplementary information section in the auditor's report on the financial statements* referred to in paragraph .07 should include the following elements:(Ref:par..A2)

...

~~.09~~ If all of the required supplementary information is omitted, the ~~other-matter paragraph~~ *required supplementary information section in the auditor's report on the financial statements* should include the following elements:

...

[No amendment to paragraphs .A1 - .A2]

**.A3**

~~Exhibit—Examples of Other-Matter Paragraphs When Reporting on Required Supplementary Information~~ *Sections in the Auditor's Report on the Financial Statements*

....

**AU-C section 930, *Interim Financial Information***

[No amendment to paragraphs .01 - .30]

**.31** The written review report should include the following: (Ref: par. ~~.A42-.A43.A41-.A42~~)

- a. A title that includes the word *independent* to clearly indicate that it is the report of an independent auditor.

- b. An addressee as appropriate ~~for~~ ***based on*** the circumstances of the engagement. (Ref: par. .A43)
- c. ~~An introductory paragraph that~~ ***The first section of the auditor's report on a review of interim financial information should include the auditor's conclusion and should have the heading "Results of Review of Interim Financial Information" and the following elements:***
- i. identifies the entity whose interim financial information has been reviewed,
  - ii. states that the interim financial information identified in the report was reviewed,
  - iii. identifies the ***title of each statement that*** interim financial information ***comprise, and*** (Ref: par. .A44-.A45)
  - iv. refers to the notes,***
  - iv. specifies the dates ***of*** or periods covered by each financial statement ~~comprising~~ ***that the*** interim financial information ***comprise,***
  - vi. states whether the auditor is aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with the applicable financial reporting framework and that identifies the country of origin of those accounting principles, if applicable (Ref: par. .A46-.A49)***
- d. ~~A section with the heading "Management's Responsibility for the Financial Statements" that includes an explanation that management is responsible for the preparation and fair presentation of the interim financial information in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with the applicable financial reporting framework. A second section that includes the heading "Basis for Review Results" and includes the following statements (Ref: par. .AA50)~~
- i. Management is responsible for the preparation and fair presentation of the interim financial information in accordance with the applicable financial reporting framework, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.***

- ii. *The review was conducted in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information (Ref: par. A51)*
  - iii. *A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters*
  - iv. *A review of interim financial information is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, the auditor does not express such an opinion.*
  - v. *The auditor is required to be independent of the entity and to meet the auditor's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the review (Ref: par. .A52-.A53)*
- e. ~~A section with the heading "Auditor's Responsibility" that includes the following statements:~~
- i. ~~The auditor's responsibility is to conduct the review of interim financial information in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information.~~
  - ii. ~~A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters.~~
  - iii. ~~A review of interim financial information is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, no such opinion is expressed.~~
- f. ~~A concluding section with an appropriate heading that includes a statement about whether the auditor is aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with the applicable financial reporting framework and that identifies the country of origin of those accounting principles, if applicable.~~
- g. *The manual or printed signature of the auditor's firm. (Ref: par. .A54 - .A56)*
  - h. *The city and state where the auditor's practices-report is issued. (Ref: par. .A57)*
  - i. *The date of the review report, which should be dated as of the date of completion of the review procedures no earlier than the date on which the auditor completed*

*procedures sufficient to obtain limited assurance as a basis for reporting whether the auditor is aware of any material modifications that should be made to the interim financial information in order for it to be in accordance with the applicable financial reporting framework, including evidence of the following (Ref: par. .A58).*

- i. All the statements and disclosures that the interim financial information comprise have been prepared.*
- ii. Management has asserted that they have taken responsibility for the interim financial information.*

### **Going Concern**

**.32 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.**

[Paragraphs .32–.37 are renumbered to paragraphs .33–.38. The content is unchanged.]

### ***Emphasis-of-Matter in the Auditor's Review Report***

~~.38~~<sup>.39</sup> The auditor should include ~~an emphasis-of-matter paragraph~~ **a separate section** in the auditor's review report **with the heading "Substantial Doubt About an Entity's Ability to Continue as a Going Concern"** in any of the following circumstances, regardless of whether the entity is required under the applicable financial reporting framework to include a statement in the notes to the interim financial information that substantial doubt exists: (Ref: par. ~~A51–A52~~<sup>A59–A60</sup>).

- ~~a. A going concern emphasis-of-matter~~ **Such a** paragraph was included in the prior year's auditor's report and
  - ~~i. the conditions or events giving rise to the emphasis-of-matter paragraph that caused the auditor to conclude that substantial doubt about the entity's ability to continue as a going concern~~ continue to exist and
  - ii. those conditions or events **continue to** raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time and management's plans do not alleviate them.
- ~~b. A going concern emphasis-of-matter~~ **Such a** paragraph was not included in the prior year's auditor's report and
  - i. management is required under the applicable financial reporting framework to include a statement in the notes to the interim financial information that substantial doubt exists and

- ii. management has included such statement in the notes to the interim financial information.

[Paragraphs .39–.45 are renumbered to paragraphs .40–.46. The content is unchanged.]

## **Application and Other Explanatory Material**

[No amendment to paragraphs .A1 - .A19]

~~.A20~~—The auditor may find the guidance in section 720A, *Other Information in Documents Containing Audited Financial Statements*, useful in considering other information included in documents containing interim financial information.

~~.A21~~—The auditor may request component auditors involved in the engagement, if any, to read the other information.

[Paragraphs .A22–.A40 are renumbered to paragraphs .A20–.A38. The content is unchanged.]

## **The Auditor’s Report on a Review of Interim Financial Information**

### ***Form of the Auditor’s Review Report (Ref: par. .30-.31)***

*.A39 A written report encompasses reports issued in hard copy format and those using an electronic medium.*

[Paragraphs .A41–.A43 are renumbered to paragraphs .A40–.A42. The content is unchanged.]

### **Addressee (Ref: par. .31b)**

*.A43 The auditor’s report is normally addressed to those for whom the report is prepared. The report may be addressed to the entity whose interim financial information is being reviewed or to those charged with governance. A report on the interim financial information of an unincorporated entity may be addressed as circumstances dictate (for example, to the partners, general partner, or proprietor).*

### **Results of Review of Interim Financial Information (Ref: par. .31c)**

*.A44 The identification of the title and the dates of, or periods covered by, each statement that the interim financial information comprise may also be achieved by referencing the table of contents in a document bound with or accompanying the interim financial information and auditor’s report thereon.*

*.A45 When the auditor is aware that the reviewed interim financial information will be included in a document that contains information in addition to the interim financial*

*information and the auditor's report thereon, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial information is presented. This helps users identify the interim financial information to which the auditor's report relates.*

*.A46 As explained in AU-C section 200, the preparation and fair presentation of the financial statements by management and, when appropriate, those charged with governance requires the inclusion of an adequate description of the applicable financial reporting framework in the financial statements.<sup>17</sup> That description is important because it advises users of the financial statements of the framework on which the financial statements are based.*

*<sup>17</sup> Paragraphs .A2–.A3 of AU-C section 200.*

*.A47 The title of the financial statements identified in the “Results of Review of Interim Financial Information” section describes the information that is the subject of the auditor's conclusion.*

*.A48 The auditor's conclusion covers the interim financial information, as defined by the applicable financial reporting framework.*

*.A49 The identification of the applicable financial reporting framework in the auditor's conclusion is intended to advise users of the auditor's report of the context in which the auditor's conclusion is expressed. For example, the applicable financial reporting framework may be identified as accounting principles generally accepted in the United States of America or U.S. generally accepted accounting principles or International Financial Reporting Standards promulgated by the International Accounting Standards Board (IASB) or International Financial Reporting Standard for Small- and Medium-Sized Entities promulgated by the IASB, as appropriate.*

#### **Basis for Review Results (Ref: par. .31d)**

*.A50 The “Basis for Review Results” section provides important context about the auditor's conclusion. Accordingly, this section requires the “Basis for Review Results” section to directly follow the “Results of Review of Interim Financial Information” section in the auditor's report.*

*.A51 The reference to the standards used conveys to the users of the auditor's report that the review has been conducted in accordance with established standards. For example, the auditor's report may refer to auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards applicable to reviews of interim financial information.*

#### **Relevant Ethical Requirements (Ref: par. .31d(v))**

*.A52 AU-C section 200 explains that ethical requirements consist of the AICPA Code of Professional Conduct together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive.<sup>20</sup> When the AICPA Code of Professional Conduct applies, the auditor's other ethical responsibilities relate to the principles of professional conduct (ET sec. 0.300, "Principles of Professional Conduct").*

*<sup>20</sup> Paragraph .A15 of AU-C section 200.*

*.A53 Relevant ethical requirements may exist in several different sources, such as ethical codes and additional rules and requirements within law and regulation. When independence and other relevant ethical requirements are contained in a limited number of sources, the auditor may choose to name the relevant sources (for example, the AICPA Code of Professional Conduct, when applicable; the rule or applicable regulation; or Government Auditing Standards promulgated by the Comptroller General of the United States) or may refer to a term that appropriately describes those sources. Relevant ethical requirements, including those pertaining to independence, in a group audit situation may be complex. AU-C section 600, Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors), <sup>21</sup> provides guidance for auditors in performing work on the financial information of a component for a group audit, including those situations in which the component auditor does not meet the independence requirements that are relevant to the group audit.*

*<sup>21</sup> Paragraphs .22–.23 of AU-C section 600, Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors).*

#### **Signature of the Auditor (Ref. par. .31g)**

*.A54 In some cases, law or regulation may allow for the use of electronic signatures in the auditor's report.*

*.A55 In certain situations, the auditor's report may be required by law or regulation to include the personal name and signature of the auditor, in addition to the auditor's firm.*

*.A56 This section would not preclude a governmental auditor from including the personal name and signature of the auditor in the auditor's report when, in certain situations, the governmental auditor is required by law or regulation or chooses to do so.*

#### **Auditor's Address (Ref. par. .31h)**

*.A57 In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.*

#### **Date of the Auditor's Report (Ref. par. .31i)**

*.A58 AU-C section 220, Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards, requires that, on or before the date of the auditor's report, the engagement partner, through a review of the audit documentation and discussion with the engagement team, be satisfied that sufficient appropriate audit evidence*

*has been obtained to support the conclusions reached and for the auditor's report to be issued.*<sup>26</sup> *When an engagement quality control review is performed, AU-C section 220 requires that the auditor's report not be released prior to the completion of the engagement quality control review.*<sup>27</sup>

<sup>26</sup> See paragraph .19 of AU-C section 220, **Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards**, for further discussion.

<sup>27</sup> Paragraph .21 of AU-C section 220.

[Paragraphs .A44–.A50 are renumbered to paragraphs .A59–.A65. The content is unchanged.]

~~**Emphasis-of-Matter**~~ Separate Section *in the Auditor's Review Report* Regarding Going Concern (Ref: par. .3839)

~~.A51A66~~ See exhibit D, "Illustrations of ~~Emphasis-of-Matter Paragraphs~~ *the Separate Section* in the Auditor's Review Report *Regarding Going Concern*," for illustrative examples of ~~emphasis-of-matter paragraphs~~ *such separate section*.

~~.A52A67~~ If conditions or events have been identified during the interim review that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, but (a) no statement relating to substantial doubt is included in the notes to the interim financial information because management's plans have alleviated the substantial doubt or (b) the applicable financial reporting framework does not require inclusion of such statement in the notes to the interim financial information, the auditor may include ~~an emphasis-of-matter paragraph~~ *a separate section* when management has disclosed the conditions or events in the notes to the financial statements but a statement related to substantial doubt is not required to be included by the applicable financial reporting framework. The following is an illustration of ~~an emphasis-of-matter paragraph~~ *a separate section in the auditor's review report regarding going concern* when no statement relating to substantial doubt is included in the notes to the interim financial information but conditions or events are disclosed:

Substantial Doubt About the Entity's Ability to Continue as a Going Concern

As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency. Management's plans in regards to these matters are also described in Note X.

[Paragraphs .A53–.A60 are renumbered to paragraphs .A68–.A75. The content is unchanged.]

**Exhibit B — Illustrations of Auditor's Review Reports on Interim Financial Information (Ref: par. .A43A42)**

~~.A61A76~~

[Illustration 1](#) — A Review Report on Interim Financial Information

[Illustration 2](#) — A Review Report on Condensed Comparative Interim Financial Information

[Illustration 3](#) — A Review Report That Refers to a Component Auditor's Review Report on the Interim Financial Information of a Significant Component of a Reporting Entity

[Illustration 4](#) — A Review Report on Comparative Interim Financial Information When the Prior Period Was Reviewed by Another Auditor

### Illustration 1 — A Review Report on Interim Financial Information

Circumstances include the following:

- A review of interim financial information presented as a complete set of financial statements, including disclosures

#### **Independent Auditor's Review Report**

*[Appropriate Addressee]*

**Report on the ~~Financial Statements~~ *Review of the Interim Financial Information***

Results of Review of Interim Financial Information

We have reviewed the accompanying *[describe the interim financial information or statements reviewed]* of ABC Company and its subsidiaries as of September 30, 20X1, and for the three-month and nine-month periods then ended, ***and the related notes to the interim financial information.***

***Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].***

~~**Management's Responsibility**~~ Basis for Review Results

~~The Company's management~~ **Management** is responsible for the preparation and fair presentation of the interim financial information in accordance with *[identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America]*; ~~this responsibility includes~~ **and for** the design, implementation, and maintenance of internal control ~~sufficient to provide a reasonable basis for~~ **relevant to** the preparation and fair presentation of interim financial information in accordance with *[identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America]* **that is free from material misstatement, whether due to fraud or error.**

***We conducted our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical***

*procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of ABC Company and to meet our other ethical responsibilities, in accordance with the relative ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.*

***Auditor's Responsibility***

~~Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. 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 auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.~~

***Conclusion***

~~Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].~~

~~[Auditor's signature]~~ **Signature of the auditor's firm**

~~[Auditor's city]~~ **City and state where the auditor's report is issued**

~~[Date of the auditor's report]~~

**Illustration 2 — A Review Report on Condensed Comparative Interim Financial Information**

The following is an example of a review report on a condensed balance sheet as of March 31, 20X1; the related condensed statements of income and cash flows for the three-month periods ended March 31, 20X1 and 20X0; and a condensed balance sheet derived from audited financial statements as of December 31, 20X0. If the auditor's report on the preceding year-end financial statements was other than unmodified or included an ~~emphasis-of-matter paragraph~~ ***a separate section regarding*** because of a going concern ~~matter~~ or ***emphasis-of-matter paragraph because of*** an inconsistency in the application of accounting principles, the last paragraph of the illustrative report would be appropriately modified.

**Independent Auditor's Review Report**

[Appropriate Addressee]

**Report on the Financial Statements** ~~Review of the Condensed Financial Information~~

## Results of Review of Condensed Interim Financial Information

We have reviewed the condensed consolidated financial statements of ABC Company and subsidiaries, which comprise the condensed consolidated balance sheet as of March 31, 20X1, and the related condensed consolidated statements of income and cash flows for the three-month periods ended March 31, 20X1 and 20X0, *and the related notes to the condensed financial statements.*

*Based on our reviews, we are not aware of any material modifications that should be made to the accompanying condensed financial information for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].*

### ~~Management's Responsibility~~ Basis for Review Results

~~The Company's management~~ **Management** is responsible for the preparation and fair presentation of the condensed interim financial information in accordance with [*identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America*]; ~~this responsibility includes and for the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for~~ **relevant to** the preparation and fair presentation of interim financial information in accordance with [*identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America*]~~that is free from material misstatement, whether due to fraud or error.~~

*We conducted our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of condensed interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of condensed interim financial information is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of ABC Company and to meet our other ethical responsibilities, in accordance with the relative ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.*

### ~~Auditor's Responsibility~~

~~Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. 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 auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.~~

### **Conclusion**

~~Based on our reviews, we are not aware of any material modifications that should be made to the condensed financial information referred to above for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].~~

***Report on Condensed Balance Sheet as of [Date]***

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet as of December 31, 20X0, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 15, 20X1. In our opinion, the accompanying condensed consolidated balance sheet of the Company and subsidiaries as of December 31, 20X0, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

~~[Auditor's signature]~~ **Signature of the auditor's firm**

~~[Auditor's city]~~ **City and state where the auditor's report is issued**

~~[Date of the auditor's report]~~

**Illustration 3 — A Review Report That Refers to a Component Auditor's Review Report on the Interim Financial Information of a Significant Component of a Reporting Entity**

Circumstances include the following:

- A review of interim financial information presented as a complete set of financial statements, including disclosures.
- The auditor is making reference to another auditor's review report on the interim financial information of a significant component of a reporting entity.

**Independent Auditor's Review Report**

*[Appropriate Addressee]*

**Report on the ~~Financial Statements~~ *Review of Interim Financial Information***

**Results of Review of Interim Financial Information**

We have reviewed the accompanying *[describe the interim financial information or statements reviewed]* of ABC Company and subsidiaries as of September 30, 20X1, and for the three-month and nine-month periods then ended, ***and the related notes to the interim financial information.***

***Based on our review, and the review report of other auditors, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].***

*We were furnished with the report of other auditors on their review of the interim financial information of DEF subsidiary, whose total assets as of September 30, 20X1, and whose revenues for the three-month and nine-month periods then ended, constituted 15 percent, 20 percent, and 22 percent, respectively, of the related consolidated totals.*

***Management's Responsibility*** Basis for Review Results

The Company's management ***Management*** is responsible for the preparation and fair presentation of the interim financial information in accordance with [*identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America*]; ~~this responsibility includes~~ ***and for*** the design, implementation, and maintenance of internal control sufficient to ~~provide a reasonable basis for~~ ***relevant to*** the preparation and fair presentation of interim financial information in accordance with [*identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America*]***that is free from material misstatement, whether due to fraud or error.***

*We conducted our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of ABC Company and to meet our other ethical responsibilities, in accordance with the relative ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.*

***Auditor's Responsibility***

~~Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. 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 auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.~~

~~We were furnished with the report of other auditors on their review of the interim financial information of DEF subsidiary, whose total assets as of September 30, 20X1, and whose revenues for the three-month and nine-month periods then ended, constituted 15 percent, 20 percent, and 22 percent, respectively, of the related consolidated totals.~~

***Conclusion***

~~Based on our review and the review report of other auditors, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with [*identify the applicable financial reporting*~~

~~framework; for example, accounting principles generally accepted in the United States of America].~~

~~[Auditor's signature]~~ **Signature of the auditor's firm]**

~~[Auditor's city]~~ **City and state where the auditor's report is issued]**

~~[Date of the auditor's report]~~

#### **Illustration 4 — A Review Report on Comparative Interim Financial Information When the Prior Period Was Reviewed by Another Auditor**

Circumstances include the following:

- A review of interim financial information presented as a complete set of financial statements, including disclosures as of March 31, 20X1, and for the three-month period then ended.
- Comparative information is presented for the balance sheet as of December 31, 20X0, and for the statements of income and cash flows for the comparable interim period.
- The December 31, 20X0, financial statements were audited, and the March 31, 20X0, interim financial information was reviewed, by another auditor.

#### **Independent Auditor's Review Report**

*[Appropriate Addressee]*

**Report on the ~~Financial Statements~~ *Review of the Interim Financial Information***

Results of Review of Interim Financial Information

We have reviewed the accompanying *[describe the interim financial information or statements reviewed]* of ABC Company and subsidiaries as of March 31, 20X1, and for the three-month period then ended, ***and the related notes to the interim financial information.***

***Based on our review we are not aware of any material modifications that should be made to the accompanying interim financial information as of and for the three months ended March 31, 20X1, for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].***

The consolidated statements of income and cash flows of ABC Company and its subsidiaries for the three-month period ended March 31, 20X0, were reviewed by other auditors whose report dated June 1, 20X0, stated that based on their review, they were not aware of any material modifications that should be made to those statements in order for them to be in accordance with *[identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America]*. The consolidated balance sheet of the Company as of December 31, 20X0, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the

year then ended (not presented herein), were audited by other auditors whose report dated March 15, 20X1, expressed an unmodified opinion on those statements.

~~**Management's Responsibility**~~ Basis for Review Results

~~The Company's management~~ **Management** is responsible for the preparation and fair presentation of the interim financial information in accordance with [*identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America*]; ~~this responsibility includes~~ **and for** the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for **relevant to** the preparation and fair presentation of interim financial information in accordance with [*identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America*]**that is free from material misstatement, whether due to fraud or error.**

*We conducted our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of ABC Company and to meet our other ethical responsibilities, in accordance with the relative ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.*

~~**Auditor's Responsibility**~~

~~Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. 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 auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.~~

~~**Conclusion**~~

~~Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial information as of and for the three months ended March 31, 20X1, for it to be in accordance with [*identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America*].~~

~~[Auditor's signature]~~ **Signature of the auditor's firm]**

~~[Auditor's city]~~ **City and state where the auditor's report is issued]**

~~[Date of the auditor's report]~~

## Exhibit C — Illustrations of Example Modifications to the Auditor’s Review Report Due to Departures From the Applicable Financial Reporting Framework (Ref: par. .A49A64)

.A62A77

[Illustration 1](#) — Modification Due to a Departure From the Applicable Financial Reporting Framework

[Illustration 2](#) — Modification Due to Inadequate Disclosure

### Illustration 1 — Modification Due to a Departure From the Applicable Financial Reporting Framework

The following is an example of a modification of the auditor’s review report due to a departure from the applicable financial reporting framework:

*Based on our review, with the exception of the matter(s) described in the Basis for Modified Conclusion section of our report, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].*

[Basis for ~~Modification~~ **Modified Conclusion Paragraph**]

Based on information furnished to us by management, we believe that the Company has excluded from property and debt in the accompanying balance sheet certain lease obligations that we believe should be capitalized to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America]. This information indicates that if these lease obligations were capitalized at September 30, 20X1, property would be increased by \$\_\_\_\_\_, long-term debt would be increased by \$\_\_\_\_\_, and net income would be increased (decreased) by \$\_\_\_\_\_ and \$\_\_\_\_\_, respectively, for the three-month and nine-month periods then ended.

[~~Conclusion~~]

~~Based on our review, with the exception of the matter(s) described in the preceding paragraph(s), we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].~~

### Illustration 2 — Modification Due to Inadequate Disclosure

The following is an example of a modification of the auditor’s review report due to inadequate disclosure:

***Based on our review, with the exception of the matter(s) described in the Basis for Modified Conclusion section of our report we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].***

[Basis for ~~Modification~~ **Modified Conclusion** Paragraph]

Management has informed us that the Company is presently defending a claim regarding [describe the nature of the loss contingency] and that the extent of the Company's liability, if any, and the effect on the accompanying interim financial information is not determinable at this time. The interim financial information fails to disclose these matters, which we believe are required to be disclosed in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].

{Conclusion}

~~Based on our review, with the exception of the matter(s) described in the preceding paragraph(s), we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with [identify the applicable financial reporting framework; for example, accounting principles generally accepted in the United States of America].~~

## **Exhibit D — Illustrations of ~~Emphasis of Matter Paragraphs~~ Separate Sections Regarding Going Concern in the Auditor's Review Report (Ref: par. ~~A51A66~~)**

~~A63A78~~

**Illustration 1** — ~~Emphasis of Matter Paragraph~~ **Separate Section** When Substantial Doubt is Disclosed in the Notes to the Financial Statements, a **Separate Section Regarding** Going Concern ~~Emphasis of Matter Paragraph~~ Was Included in the Prior Year's Audit Report, and Conditions or Events Giving Rise to the ~~Emphasis of Matter Paragraph~~ **Separate Section** Have Been Identified and Substantial Doubt Exists

**Illustration 2** — ~~Emphasis of Matter Paragraph~~ **Separate Section** When Substantial Doubt is Not Disclosed in the Notes to the Financial Statements, a **Separate Section Regarding** Going Concern ~~Emphasis of Matter Paragraph~~ Was Included in the Prior Year's Audit Report, and Conditions or Events Giving Rise to the ~~Emphasis of Matter Paragraph~~ **Separate Section** Have Been Identified and Substantial Doubt Exists

**Illustration 3** — ~~Emphasis of Matter Paragraph~~ **Separate Section** When Management is Required Under the Applicable Financial Reporting Framework to Include a Statement in the Notes to the Interim Financial Information that Conditions or Events Have Been Identified and Substantial Doubt Exists, Such Statement Is Included in the Notes to the Interim Financial Information, and a **Separate Section Regarding** Going Concern ~~Emphasis of Matter Paragraph~~ Was Not Included in the Prior Year's Audit Report

**Illustration 1 — ~~Emphasis-of-Matter Paragraph~~ *Separate Section* When Substantial Doubt is Disclosed in the Notes to the Financial Statements, a *Separate Section Regarding Going Concern* ~~Emphasis-of-Matter Paragraph~~ Was Included in the Prior Year's Audit Report, and Conditions or Events Giving Rise to the ~~Emphasis-of-Matter Paragraph~~ *Separate Section* Have Been Identified and Substantial Doubt Exists**

The following is an example of situations in which (a) a *separate section regarding* going concern ~~emphasis-of-matter paragraph~~ was included in the prior year's auditor's report, (b) conditions or events have been identified and substantial doubt continues to exist, and (c) the entity is required under the applicable financial reporting framework to include a statement in the notes to the interim financial information that substantial doubt exists.

~~[Emphasis-of-Matter Paragraph]~~ Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying interim financial information has been prepared assuming that the Company will continue as a going concern. Note 4 of the Company's audited financial statements as of December 31, 20X1, and for the year then ended, includes a statement that substantial doubt exists about the Company's ability to continue as a going concern. Note 4 of the Company's audited financial statements also discloses the events and conditions, management's evaluation of the events and conditions, and management's plans regarding these matters, including the fact that the Company was unable to renew its line of credit or obtain alternative financing as of December 31, 20X1. Our auditor's report on those financial statements includes ~~an emphasis-of-matter paragraph~~ a *separate section* referring to the matters in Note 4 of those financial statements. As indicated in Note 3 of the accompanying interim financial information as of March 31, 20X2, and for the three months then ended, the Company was still unable to renew its line of credit or obtain alternative financing as of March 31, 20X2, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. The accompanying interim financial information does not include any adjustments that might result from the outcome of this uncertainty.

**Illustration 2 — ~~Emphasis-of-Matter Paragraph~~ *Separate Section* When Substantial Doubt is Not Disclosed in the Notes to the Financial Statements, a *Separate Section Regarding Going Concern* ~~Emphasis-of-Matter Paragraph~~ Was Included in the Prior Year's Audit Report, and Conditions or Events Giving Rise to the ~~Emphasis-of-Matter Paragraph~~ *Separate Section* Have Been Identified and Substantial Doubt Exists**

The following is an example of a situation in which (a) a *separate section regarding* going concern ~~emphasis-of-matter paragraph~~ was included in the prior year's auditor's report, (b) conditions or events have been identified and substantial doubt continues to exist, and (c) the entity is not required under the applicable financial reporting framework to include a statement in the notes to the interim financial information that substantial doubt exists.

~~[Emphasis-of-Matter Paragraph]~~ Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying interim financial information has been prepared assuming that the Company will continue as a going concern. Note 4 of the Company's audited financial statements as of December 31, 20X1, and for the year then ended, discloses that the Company was unable to renew its line of credit or obtain alternative financing as of December 31, 20X1. Our auditor's report on those financial statements includes ~~an emphasis-of-matter paragraph~~ *a separate section* referring to the matters in Note 4 of those financial statements, indicating that these matters raised substantial doubt about the Company's ability to continue as a going concern. As indicated in Note 3 of the accompanying interim financial information as of March 31, 20X2, and for the three months then ended, the Company was still unable to renew its line of credit or obtain alternative financing as of March 31, 20X2. Management's evaluation of the conditions and events and management's plans regarding these matters are also disclosed in Note 3. The accompanying interim financial information does not include any adjustments that might result from the outcome of this uncertainty.

**Illustration 3 — ~~Emphasis-of-Matter Paragraph~~ *Separate Section* When Management is Required Under the Applicable Financial Reporting Framework to Include a Statement in the Notes to the Interim Financial Information that Conditions or Events Have Been Identified and Substantial Doubt Exists, Such Statement is included in the Notes to the Interim Financial Information, and a *Separate Section Regarding Going Concern* ~~Emphasis-of-Matter Paragraph~~ Was Not Included in the Prior Year's Audit Report**

The following is an example of ~~an emphasis-of-matter paragraph~~ *separate section* when (a) a *separate section regarding* going concern ~~emphasis-of-matter paragraph~~ was not included in the prior year's auditor's report, (b) the entity is required under the applicable financial reporting framework to include a statement in the notes to the interim financial information that conditions or events have been identified and substantial doubt exists, and (c) such statement is included in the notes to the interim financial information.

~~[Emphasis-of-Matter Paragraph]~~ Substantial Doubt About the Entity's Ability to Continue as a Going Concern

The accompanying interim financial information has been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the interim financial information, the Company has suffered recurring losses from operations, has a net capital deficiency, and has stated that substantial doubt exists about the Company's ability to continue as a going concern. Management's evaluation of the conditions and events and management's plans regarding these matters are also described in Note 3. The accompanying interim financial information does not include any adjustments that might result from the outcome of this uncertainty.