AU-C Section 905 *

Alert That Restricts the Use of the Auditor's Written Communication

Source: SAS No. 125.

Effective for the auditor's written communications related to audits of financial statements for periods ending on or after December 15, 2012. For all other engagements conducted in accordance with GAAS, this section is effective for the auditor's written communications issued on or after December 15, 2012.

Introduction

Scope of This Section

.01 This section addresses the auditor's responsibility, when required or the auditor decides, to include in the auditor's report or other written communication issued by the auditor in connection with an engagement conducted in accordance with generally accepted auditing standards (GAAS) (hereinafter referred to in this section as auditor's written communication) language that restricts the use of the auditor's written communication. This language is referred to in this section as an alert. In an auditor's report, such language is included in an other-matter paragraph. (Ref: par. .A1 and .A3)

.02 Appendix A, "List of Sections Relating to the Restricted Use of the Auditor's Written Communication," identifies sections that contain specific requirements to include an alert that restricts the use of the auditor's written communication or that otherwise address the inclusion of such alerts. Accordingly, the requirements in this section regarding the form of such alert apply. (Ref: par. .A2)

Effective Date

.03 This section is effective for the auditor's written communications related to audits of financial statements for periods ending on or after December 15, 2012. For all other engagements conducted in accordance with GAAS, this section is effective for the auditor's written communications issued on or after December 15, 2012.

Objective

.04 The objective of the auditor is to restrict the use of the auditor's written communication by including an alert when the potential exists for the auditor's written communication to be misunderstood if taken out of the context in which the auditor's written communication is intended to be used.

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* This section contains an "AU-C" identifier instead of an "AU" identifier. "AU-C" is a temporary identifier to avoid confusion with references to existing "AU" sections, which remain effective through 2013. The "AU-C" identifier will revert to "AU" in 2014, by which time this section becomes fully effective for all engagements.

Definition

.05 For purposes of GAAS, the following term has the meaning attributed as follows:

Specified parties. The intended users of the auditor's written communication.

Requirements

Alert That Restricts the Use of the Auditor's Written Communication

.06 The auditor's written communication should include an alert, in a separate paragraph, that restricts its use when the subject matter of the auditor's written communication is based on (Ref: par. .A2–.A3)

a. measurement or disclosure criteria that are determined by the auditor to be suitable only for a limited number of users who can be presumed to have an adequate understanding of the criteria,

b. measurement or disclosure criteria that are available only to the specified parties, or

c. matters identified by the auditor during the course of the audit engagement when the identification of such matters is not the primary objective of the audit engagement (commonly referred to as a by-product report). (Ref: par. .A4–.A7)

.07 Unless specified otherwise by this section or other relevant sections, the alert that restricts the use of the auditor's written communication required by paragraph .06 should

a. state that the auditor's written communication is intended solely for the information and use of the specified parties.

b. identify the specified parties for whom use is intended. In situations covered by paragraph .06*c*, the specified parties should only include management, those charged with governance, others within the entity, the parties to the contract or agreement, or the regulatory agencies to whose jurisdiction the entity is subject, as appropriate in the circumstances.

c. state that the auditor's written communication is not intended to be and should not be used by anyone other than the specified parties. (Ref: par. .A8–.A9)

Adding Other Specified Parties (Ref: par. .A10)

.08 When, in accordance with paragraph .06, the auditor includes an alert that restricts the use of the auditor's written communication to certain specified parties, and the auditor is requested to add other parties as specified parties, the auditor should determine whether to agree to add the other parties as specified parties. In situations covered by paragraph .06*c*, the auditor should not agree to add as specified parties any other parties not described in paragraph .07*b*.

.09 When the auditor agrees to add other parties as specified parties, the auditor should obtain affirmative acknowledgment, in writing, from the other parties of their understanding of

a. the nature of the engagement resulting in the auditor's written communication,

b. the measurement or disclosure criteria related to the subject matter of the auditor's written communication, and

c. the auditor's written communication.

.10 If the other parties are added after the release of the auditor's written communication, in addition to the requirements of paragraph .09, the auditor should take one of the following actions:

a. Amend the auditor's written communication to add the other parties. In such circumstances, the auditor should not change the original date of the auditor's written communication.

b. Provide a written acknowledgment to management and the other parties that such parties have been added as specified parties. The auditor should state in the acknowledgment that no procedures were performed subsequent to the original date of the auditor's written communication or the date that the engagement was completed, as appropriate.

Alert for Engagements Performed in Accordance With *Government Auditing Standards* (Ref: par. .A11)

.11 The alert language required by paragraph .07 should not be used when

a. the engagement is performed in accordance with *Government Auditing Standards*, and

b. the auditor's written communication pursuant to that engagement is issued in accordance with

i. section 265, *Communicating Internal Control Related Matters Identified in an Audit*;

ii. section 806, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements* ; or

iii. section 935, *Compliance Audits* .

Instead, the alert required by paragraph .06 should

a. describe the purpose of the auditor's written communication and

b. state that the auditor's written communication is not suitable for any other purpose.

Application and Other Explanatory Material

Alert That Restricts the Use of the Auditor's Written Communication (Ref: par. .01–.02 and .06)

.A1 In addition to auditor's reports, auditor's written communications may include letters or presentation materials (for example, letters communicating internal control related matters or presentations addressing communications with those charged with governance).

.A2 Certain sections, identified in appendix A, contain specific requirements to include an alert that restricts the use of the auditor's written communication or that otherwise address the inclusion of such alerts. The need for an alert that restricts the use of the auditor's written communication arises from the potential for the auditor's written communication to be misunderstood if

taken out of the context in which the auditor's written communication is intended to be used. The context in which the auditor's written communication is intended to be used may consist of a number of circumstances, including

- the purpose of the auditor's written communication;
- the nature of the procedures applied in its preparation;
- the basis of, or assumptions used in, its preparation; and
- the extent to which the procedures performed generally are known or understood.

.A3 Auditor's reports on financial statements prepared in accordance with a general purpose framework ordinarily do not include an alert that restricts their use. However, nothing in GAAS precludes an auditor from including such an alert in any auditor's report or other auditor's written communication. For example, financial statements prepared specifically for use in connection with an acquisition may be prepared in accordance with a general purpose framework because the parties involved in the transaction have agreed that such general purpose financial statements are appropriate for their purposes. Nevertheless, when the terms of the engagement to audit those financial statements require the auditor to supply the auditor's report only to specified parties, the auditor may consider it necessary in the circumstances to include an other-matter paragraph in the auditor's report that restricts the use of the auditor's report.[1]

.A4 The subject matter of the auditor's written communication may be based on matters identified by the auditor during the course of the audit engagement when identification of such matters is not the primary objective of the audit engagement (commonly referred to as a by-product report) (for example, communication about internal control or compliance related matters identified in an audit of financial statements, the primary objective of which is to express an opinion on the financial statements). Because such communication can only be understood in relation to the primary objective of the audit engagement, it may be misinterpreted or misunderstood. Accordingly, paragraph .06*c* requires such auditor's written communication to include an alert that restricts its use.

Alert That Restricts the Use of the Auditor's Written Communication Included in General Use Communications

.A5 An auditor's written communication that is required by paragraph .06 to include an alert that restricts its use may be included in a document that also contains an auditor's written communication that is for general use. In such circumstances, the use of the general use communication is not affected.

.A6 An auditor may also issue a single combined auditor's written communication that includes (*a*) communications that are required by paragraph .06 to include an alert that restricts their use and (*b*) communications that are for general use. If these two types of communications are clearly differentiated within the combined communication, such as through the use of appropriate headers, the alert that restricts the use of the auditor's written communication may be limited to the communications required by paragraph .06 to include such an alert. In such circumstances, the use of the general use communication is not affected. An example of a single combined auditor's written communication addressing a matter that was not the primary objective of the audit engagement

[1] Paragraph .08 of section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report* .

that is included in a general use communication is provided in the exhibit "Illustrations of Reports on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements," of section 806.[2]

Distribution of the Auditor's Written Communication

.A7 An auditor is not responsible for controlling, and cannot control, distribution of the auditor's written communication after its release. The alert that restricts the use of the auditor's written communication is designed to avoid misunderstandings related to the use of the auditor's written communication, particularly if the auditor's written communication is taken out of the context in which the auditor's written communication is intended to be used. An auditor may consider informing the entity or other specified parties that the auditor's written communication is not intended for distribution to parties other than those specified in the auditor's written communication. The auditor may, in connection with establishing the terms of the engagement, reach an understanding with the entity that the intended use of the auditor's written communication will be restricted and may obtain the entity's agreement that the entity and specified parties will not distribute such auditor's written communication to parties other than those identified therein.

Illustrative Alert Language (Ref: par. .07)

.A8 The alert that restricts the use of the auditor's written communication may list the specified parties or refer to the specified parties listed elsewhere in the auditor's written communication. The following illustrates language that includes the elements required by paragraph .07:

> This [*report, letter, presentation, or communication*] is intended solely for the information and use of [*list or refer to the specified parties*] and is not intended to be and should not be used by anyone other than these specified parties.

.A9 Other sections, such as section 920, *Letters for Underwriters and Certain Other Requesting Parties*, may include specific requirements relating to the matters to be included in the alert that restrict the use of the auditor's written communication, as required by paragraph .06, including identifying the specified parties.

Adding Other Specified Parties (Ref: par. .08–.10)

.A10 When the auditor is requested to add other parties as specified parties, the auditor may agree to add the other parties as specified parties based on the auditor's consideration of factors such as the identity of the other parties and the intended use of the auditor's written communication.

Alert for Engagements Performed in Accordance With *Government Auditing Standards* (Ref: par. .11)

.A11 *Government Auditing Standards* regard the auditor's written communications issued pursuant to the sections, identified in paragraph .11, to be an integral part of the audit engagement for the purpose of assessing the

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[2] Illustration 5, "Report on Compliance With Aspects of Contractual Agreements Given in a Combined Report, and No Instances of Noncompliance Were Identified," in the exhibit "Illustrations of Reports on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements," of section 806, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements* .

results of the engagement. Accordingly, different alert language is used. The following illustrates language that includes the elements of the alert required by paragraph .11:

> The purpose of this [*report, letter, presentation, or communication*] is solely to [*describe the purpose of the auditor's written communication, such as to describe the scope of our testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance*]. This [*report, letter, presentation, or communication*] is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering [*describe the results that are being assessed, such as the entity's internal control over financial reporting and compliance*]. Accordingly, this [*report, letter, presentation, or communication*] is not suitable for any other purpose.

.A12

Appendix A—List of Sections in Relating to the Restricted Use of the Auditor's Written Communication

This appendix identifies paragraphs in other sections that contain specific requirements to include an alert that restricts the use of the auditor's written communication or that otherwise address the inclusion of such alerts. The list is not a substitute for considering the requirements and related application and other explanatory material in the other sections.

- Paragraph .17 of section 260, *The Auditor's Communication With Those Charged With Governance*
- Paragraphs .14*d*, .A32, and .A38–.A39 of section 265, *Communicating Internal Control Related Matters Identified in an Audit*
- Paragraph .A16 of section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*
- Paragraphs .20, .A26–.A27, and .A33 of section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*
- Paragraphs .12–.13 and .A6–.A8 of section 806, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements*
- Paragraphs .14*f* and .A6 of section 915, *Reports on Application of Requirements of an Applicable Financial Reporting Framework*
- Paragraphs .33 and .A34 of section 920, *Letters for Underwriters and Certain Other Requesting Parties*
- Paragraphs .30, .31*i*, and .A33 of section 935, *Compliance Audits*

.A13

Appendix B—Amendments to Other Sections

Boldface italic denotes new language. Deleted text is shown in ~~strikethrough~~. Amended footnote text is found at the end of appendix B.

Section 260, *The Auditor's Communication With Those Charged With Governance*

[No amendments to paragraphs .01–.16.]

Restricted Use

.17

When the auditor communicates matters in accordance with this section in writing, the communication is considered a by-product report.[1] Accordingly, the auditor should indicate in the communication that it is intended solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.

[No amendments to paragraphs .18–.20 or .A1–.A48.]

Section 265, *Communicating Internal Control Related Matters Identified in an Audit*

[No amendments to paragraphs .01–.13.]

.14

The auditor should include in the ***auditor's*** written communication of significant deficiencies and material weaknesses (Ref: par. .A29–.A33)

a. the definition of the term *material weakness* and, when relevant, the definition of the term *significant deficiency*.

b. a description of the significant deficiencies and material weaknesses and an explanation of their potential effects. (Ref: par. .A29)

c. sufficient information to enable those charged with governance and management to understand the context of the communication. In particular, the auditor should include in the communication the following elements that explain that (Ref: par. .A30–.A31)

i. the purpose of the audit was for the auditor to express an opinion on the financial statements.

ii. the audit included consideration of internal control over financial reporting 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 internal control.

iii. the auditor is not expressing an opinion on the effectiveness of internal control.

iv. the auditor's consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified.

d. ***an appropriate alert,*** in accordance with section 905, ~~*Restricting the Use of an Auditor's Report,*~~ **Alert That Restricts the Use of the Auditor's Written Communication.**[2]~~.~~[†] ~~a restriction regarding the use of the communication to management, those charged with governance, others within the organization, and any governmental authority to which the auditor is required to report.~~ (Ref: par. A32)

[Footnotes 2–7 will be renumbered as footnotes 3–8. No amendments to paragraphs .15–.16 and .A1–.A31.]

Restriction on Use (Ref: par. .14d)

.A32

In certain cases not involving **Government Auditing Standards,** ~~*L*~~*law* or regulation may require the auditor or management to furnish a copy of the auditor's written communication on significant deficiencies and material weaknesses to governmental authorities. When this is the case, the auditor's written communication may identify such governmental authorities in the ~~restricted use~~ paragraph ***containing the alert that restricts the use of the auditor's written communication.*** ~~Because the written communication is a by-product of the audit, s~~**S**ection 905**, Alert That Restricts the Use of the Auditor's Written Communication**[†] does not permit the auditor to add parties, other than those identified in paragraph ~~.14*d*, as specified parties.~~***07*b *of that section***.[9] ~~In some instances, the restricted-use communication may be included in a document that also contains a general-use report. The restricted-use communication remains restricted as to use, and the general-use report continues to be for general use.~~

[No amendments to paragraphs .A33–.A37.]

Exhibit A—Illustrative *Auditor's* **Written Communication**

.A38

The following is an illustrative ***auditor's*** written communication encompassing the requirements in paragraph .14.

To Management and [*identify the body or individuals charged with governance, such as the entity's Board of Directors*] of ABC Company

In planning and performing our audit of the financial statements of ABC Company (the "Company") as of and for the year ended December 31, 20XX, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be [*material weaknesses* or *material weaknesses or significant deficiencies*] and therefore, [*material weaknesses* or *material weaknesses or significant deficiencies*] may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be [*material weaknesses* or *significant deficiencies* or *material weaknesses and significant deficiencies*].

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. [*We consider the following deficiencies in the Company's internal control to be material weaknesses:*]

[*Describe the material weaknesses that were identified and an explanation of their potential effects.*]

[*A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Company's internal control to be significant deficiencies:*]

[*Describe the significant deficiencies that were identified and an explanation of their potential effects.*]

[*If the auditor is communicating significant deficiencies and did not identify any material weaknesses, the auditor may state that none of the identified significant deficiencies are considered to be material weaknesses.*]

This communication is intended solely for the information and use of management, [*identify the body or individuals charged with governance*], others within the organization, and [*identify any governmental authorities to which the auditor is required to report*] and is not intended to be, and should not be, used by anyone other than these specified parties.[1]

[*Auditor's Signature*]

[Auditor's City and State]

[*Date*]

Exhibit B—Illustrative No Material Weakness Communication

.A39

The following is an illustrative ***auditor's*** written communication indicating that no material weaknesses were identified during the audit ***of a not-for-profit organization***.

To Management and [*identify the body or individuals charged with governance, such as the entity's Board of Directors*] of ~~ABC Company~~ ***NPO Organization***

In planning and performing our audit of the financial statements of ~~ABC Company (the "Company")~~ ***NPO Organization (the "Organization")*** as of and for the year ended December 31, 20XX, in accordance with auditing standards generally accepted in the United States of America, we considered the ~~Company's~~ ***Organization's*** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ~~Company's~~ ***Organization's*** internal control. Accordingly, we do not express an opinion on the effectiveness of the ~~Company's~~ ***Organization's*** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

[*If one or more significant deficiencies have been identified, the auditor may add the following: Our audit was also not designed to identify deficiencies in internal control that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We communicated the significant deficiencies identified during our audit in a separate communication dated [date].*]

This communication is intended solely for the information and use of management, [*identify the body or individuals charged with governance*], others within the organization, and [*identify any governmental authorities to which the auditor is required to report*] and is not intended to be, and should not be, used by anyone other than these specified parties.[1]

[*Auditor's Signature*]

[Auditor's City and State]

[*Date*]

[No amendments to paragraph A40.]

Section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*

[No amendments to paragraphs .01–.13 and paragraphs .A1–.A15.]

.A16 ***When reporting on supplementary information in a separate report, t***~~T~~he auditor may consider ***including an alert that restricts*** ~~restricting~~ the use of ~~a~~ ***the*** separate report ~~on supplementary information~~ to ***solely to*** the appropriate specified parties, in accordance with section 905, ~~*Restricting the Use of an Auditor's Report,*~~† **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.

[No amendments to paragraph .A17.]

Section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*

[No amendments to paragraphs .01–.19.]

Restricting the Use of the Auditor's Report in an Other-Matter Paragraph ***(Ref: par. .A26–.A27)***

.20

Except for the circumstances described in paragraph .21, the auditor's report on special purpose financial statements should include an *other-matter* paragraph,[9] under an appropriate heading, that restricts[10] the use of the auditor's report ***solely*** to those within the entity, the parties to the contract or agreement, or the regulatory agencies to whose jurisdiction the entity is subject when the special purpose financial statements are prepared in accordance with either

a. a contractual basis of accounting or

b. a regulatory basis of accounting.

[No amendments to paragraphs .21–.23 or paragraphs .A1–.A25.]

Restricting the Use of the Auditor's Report in an Other-Matter Paragraph ***(Ref: par. .20)***

.A26

~~When use of the auditor's report is restricted, the intended users are the specified parties.~~ ***Special purpose financial statements prepared in accordance with a contractual or regulatory basis of accounting are suitable only for a limited number of users who can be presumed to have an adequate understanding of such bases of accounting.*** ~~The restriction on use of the auditor's report is necessary due to the nature of the report and the potential for the report to be misunderstood when taken out of the context in which it was intended to be used.~~ For example, special purpose financial statements prepared in accordance with a contractual basis of accounting are developed for and directed only to the parties to the contract or agreement. ***Accordingly, the alert that restricts the use of the auditor's report is required due to the nature of the report and the potential for the report to be taken out of the context in which the auditor's report was intended to be used.*** Section 905, ~~*Restricting the Use of an Auditor's Report*~~‡, **Alert That Restricts the Use of the Auditor's Written Communication,** addresses adding other parties as specified parties.

.A27

In the case of special purpose financial statements prepared in accordance with a cash or tax basis of accounting, the auditor may consider it necessary in the circumstances of the engagement to ~~restrict the~~ ***include an alert that restricts the*** use of the auditor's report.

[No amendments to paragraphs .A28–.A32.]

Appendix A—Overview of Reporting Requirements

.A33

The following table provides an overview of the reporting requirements depending on the special purpose framework.

	Cash Basis	*Tax Basis*	*Regulatory Basis*	*Regulatory Basis (General Use)*	*Contractual Basis*
Opinion(s)	Single opinion on special purpose framework	Single opinion on special purpose framework	Single opinion on special purpose framework	Dual opinion on special purpose framework and generally accepted accounting principles (GAAP)[18]	Single opinion on special purpose framework
Description of purpose for which special purpose financial statements are prepared[19]	No	No	Yes	Yes	Yes
Emphasis-of-matter paragraph alerting readers ~~about~~ ***regarding*** *the preparation in accordance with a special purpose framework*[20]	Yes	Yes	Yes	No	Yes
Other-matter paragraph ***including an alert*** *restricting the use of the auditor's report*[21]	No	No	Yes	No	Yes
Exhibit A Illustrations	1	2	3	4	5

Section 806, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements*

[No amendments to paragraphs .01–.11.]

Separate Report on Compliance With Aspects of Contractual Agreements or Regulatory Requirements

.12

When the auditor reports on compliance in a separate report, the report should include the following:

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

b. An appropriate addressee

c. A paragraph that states that the financial statements were audited in accordance with generally accepted auditing standards and an identification of the United States of America as the country of origin of those standards (for example, auditing standards generally accepted in the United States of America or U.S. generally accepted auditing standards) and the date of the auditor's report on those financial statements.

d. If the auditor expressed a modified opinion[1] on the financial statements, a statement describing the nature of the modification. (Ref: par. .A4)

e. When no instances of noncompliance are identified by the auditor, a reference to the specific covenants or paragraphs of the contractual agreement or regulatory requirement and a statement that nothing came to the auditor's attention that caused the auditor to believe that the entity failed to comply with specified aspects of contractual agreements or regulatory requirements, insofar as they relate to accounting matters (see paragraphs .07 and .10).

f. When instances of noncompliance are identified by the auditor, a reference to the specific covenants or paragraphs of the contractual agreement or regulatory requirement, insofar as they relate to accounting matters, and a description of the identified instances of noncompliance. (Ref: par. .A5)

g. A statement that the report is being provided in connection with the audit of the financial statements.

h. A statement that the audit was not directed primarily toward obtaining knowledge regarding compliance, and accordingly, had the auditor performed additional procedures, other matters may have come to the auditor's attention regarding noncompliance with the specific covenants or paragraphs of the contractual agreement or regulatory requirement, insofar as they relate to accounting matters.

i. A paragraph that includes a description and the source of significant interpretations, if any, made by the entity's management relating to the provisions of the relevant contractual agreement or regulatory requirement.

j. A paragraph that ***includes an appropriate alert*** ~~restricts the use[2] of the report to management, those charged with governance, others within the organization, the regulatory agency responsible~~

~~for the provisions, or other parties to the contract or agreement,~~ ***in accordance with the section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication**.[2] (Ref: par. .A6 and .A7)

k. The manual or printed signature of the auditor's firm and the city and state where the auditor practices.

l. The date of the report, which should be the same date as the auditor's report on the financial statements.[3]

Report on Compliance With Aspects of Contractual Agreements or Regulatory Requirements Included in the Auditor's Report

.13

When a report on compliance is included in the auditor's report on the financial statements, the auditor's report should include an other-matter paragraph[fn 4] that includes a reference to the specific covenants or paragraphs of the contractual agreement or regulatory requirement, insofar as they relate to accounting matters, and also should include the following:

a. When no instances of noncompliance are identified by the auditor, a statement that nothing came to the auditor's attention that caused the auditor to believe that the entity failed to comply with specified aspects of the contractual agreements or regulatory requirements, insofar as they relate to accounting matters (see paragraphs .07 and .10).

b. When instances of noncompliance are identified by the auditor, a description of the identified instances of noncompliance. (Ref: par. .A5)

c. A statement that the communication is being provided in connection with the audit of the financial statements.

d. A statement that the audit was not directed primarily toward obtaining knowledge regarding compliance, and accordingly, had the auditor performed additional procedures, other matters may have come to the auditor's attention regarding noncompliance with the specific covenants or paragraphs of the contractual agreement or regulatory requirement, insofar as they relate to accounting matters.

e. A paragraph that includes a description and the source of significant interpretations, if any, made by the entity's management relating to the provisions of the relevant contractual agreement or regulatory requirement.

f. A paragraph that ***includes an appropriate alert*** ~~restricts the use[5] of the report to management, those charged with governance, others within the organization, the regulatory agency responsible for the provisions, or other parties to the contract or agreement,~~ ***in accordance with section 905***.[5] (Ref: par. .A6–.A7)

[No amendments to paragraphs .A1–.A5.]

Restrictions on the Use of the Auditor's Report [9] (Ref: par. .12*j* and .13*f*)

.A6

~~A restriction on~~ ***An alert,*** ~~the use of the report on compliance to the specified parties~~, as discussed in paragraphs .12*j* and .13*f*, is necessary because***, although compliance matters may be identified by the auditor during the course of the audit engagement, the identification of such matters is not***

the primary objective of the audit engagement. In addition, the basis, assumptions, or purpose of the provisions in contractual agreements or regulatory requirements to which the report on compliance relates are developed for, and directed only to, the parties to the contractual agreement or the regulatory agency responsible for the requirements.

.A7

~~If the auditor's report on compliance is included in the auditor's report on the financial statements, the restriction on the use of the report on compliance to specified parties, as required by paragraph .13*f*, would apply to the entire auditor's report. If a separate report is issued, as described in paragraph .11, then only the report on compliance need be restricted as to use by the specified parties.~~ ***The alert that restricts the use of the report indicates that only the report on compliance with aspects of contractual agreements or regulatory requirements is restricted. Accordingly, the intended use of the auditor's report on the financial statements is not affected by this alert.***

.A8

[No amendments to illustrations 1–4.]

Illustration 5—A Report on Compliance With Aspects of Contractual Agreements Given in a Combined Report, and No Instances of Noncompliance Were Identified

Independent Auditor's Report

[Appropriate Addressee]

Report on the Financial Statements[1]

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control.[2] 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 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 financial statements referred to above present fairly, in all material respects, the financial position of ABC Company as of December 31, 20X1, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

In connection with our audit, nothing came to our attention that caused us to believe that ABC Company failed to comply with the terms, covenants, provisions, or conditions of sections XX to YY, inclusive, of the Indenture dated July 21, 20X0 with XYZ Bank, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the Indenture, insofar as they relate to accounting matters.

Restricted Use Relating to the Other Matter

The communication related to compliance with the aforementioned Indenture described in the Other Matter paragraph is intended solely for the information and use of the boards of directors and management of ABC Company and XYZ Bank and is not intended to be and should not be used by anyone other than these specified parties.[3]

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's Signature]

[Auditor's City and State]

[Date of the Auditor's Report]

Section 915, *Reports on Application of Requirements of an Applicable Financial Reporting Framework*

[No amendments to paragraphs .01–.13.]

.14

The reporting accountant's written report should be addressed to the requesting party (for example, management or those charged with governance) and should include the following:

a. A brief description of the nature of the engagement and a statement that the engagement was performed in accordance with this section

b. Identification of the specific entity; a description of the specific transaction(s), if applicable; a statement of the relevant facts, circumstances, and assumptions; and a statement about the source of such information

c. A statement describing the appropriate application of the requirements of an applicable financial reporting framework (including the country of origin) to the specific transaction or type of report that may be issued on the entity's financial statements and, if appropriate, a description of the reasons for the reporting accountant's conclusion

d. A statement that the responsibility for the proper accounting treatment rests with the preparers of the financial statements, who should consult with their continuing accountant

e. A statement that any difference in the facts, circumstances, or assumptions presented may change the report

f. ***An alert that restricts the use of the report solely to the specified parties, as required by section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication**[2] ~~A separate paragraph at the end of the report that includes the following elements:~~

~~i. A statement indicating that the report is intended solely for the information and use of the specified parties~~

~~ii. An identification of the specified parties to whom use is restricted~~

~~iii. A statement that the report is not intended to be and should not be used by anyone other than the specified parties~~

g. If the reporting accountant is not independent of the entity, a statement indicating the reporting accountant's lack of independence. The reporting accountant is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the reporting accountant chooses to provide the reasons for the lack of independence, the reporting accountant should include all the reasons therefor.

[Footnote 2 will be renumbered as footnote 3. No amendments to paragraphs .A1–.A5.]

.A6

The ~~restriction of the use of the~~ ***alert that restricts the use of the*** reporting accountant's written report referred to in paragraph .14*f* is not intended to preclude distribution of the report to the continuing accountant.

[No amendments to paragraphs .A7–.A8.]

Section 920, *Letters for Underwriters and Certain Other Requesting Parties*

[No amendments to paragraphs .01–.31.]

~~**.32**~~

~~The auditor should not mention in a comfort letter reports issued in accordance with section 265, *Communicating Internal Control Related Matters Identified in an Audit*, or any restricted use reports issued to the entity in connection with procedures performed on the entity's internal control over financial reporting in accordance with AT section 501, *An Examination of*~~

~~*an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements.*~~

.33

~~The auditor should not refer to, or attach, any restricted use report to the comfort letter.~~ ***The auditor should not mention, refer to, or attach to the comfort letter any report or other auditor's written communication that includes an alert that restricts the use of the auditor's written communication, in accordance with section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication*****, or any restricted use reports issued in accordance with Statements on Standards for Attestation Engagements or Statements on Standards for Accounting and Review Services*** ~~to the comfort letter~~. (Ref: par. .A34)

[No amendments to paragraphs .34–.75 and .A1–.A33.]

.A34

An example of a***n auditor's written communication that includes an alert that restricts the use of the auditor's written communication that is not permitted to be mentioned, referred to, or attached to the comfort letter is an auditor's written communication issued in accordance with section 265,*** **Communicating Internal Control Related Matters Identified in an Audit.** ***Examples of*** restricted use report***s*** that ~~is~~ ***are*** not permitted to be ***mentioned,*** referred to***,*** or attached to the comfort letter ~~is~~ ***include*** a report on agreed-upon procedures ***and any restricted use report issued in connection with procedures performed on the entity's internal control over financial reporting, in accordance with AT section 501,*** **An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements**.

[No amendments to paragraphs .A35–.A93.]

Section 935, *Compliance Audits*

[No amendments to paragraphs .01–.29.]

Report on Compliance Only

.30

The auditor's report on compliance should be in writing and include the following elements:

a. A title that includes the word *independent*.

b. An addressee appropriate for the circumstances of the engagement.

c. An introductory paragraph that includes the following:

i. Identification of the one or more government programs covered by the compliance audit or reference to a separate schedule containing that information

ii. Identification of the applicable compliance requirements or a reference to where they can be found

iii. Identification of the period covered by the report

d. A section with the heading "Management's Responsibility" that includes a statement that compliance with the applicable compliance requirements is the responsibility of the entity's management. If the document containing the auditor's report contains a separate statement by management about its responsibility

for the applicable compliance requirements, the auditor's report should not include a reference to such statement by management.

e. A section with the heading "Auditor's Responsibility" that includes the following statements:

i. A statement that the auditor's responsibility is to express an opinion on the entity's compliance with the applicable compliance requirements based on the compliance audit

ii. A statement that the compliance audit was conducted in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and the governmental audit requirement

iii. A statement that the compliance audit included examining, on a test basis, evidence about the entity's compliance with those requirements and performing such other procedures as the auditor considered necessary in the circumstances

iv. A statement that the auditor believes the compliance audit provides a reasonable basis for the auditor's opinion

v. A statement that the compliance audit does not provide a legal determination of the entity's compliance

f. If noncompliance results in a modified opinion, a section with an appropriate heading, indicating the basis for the modified opinion that includes a description of such noncompliance, or a reference to a description of such noncompliance in an accompanying schedule.[5] (Ref: par. .A34)

g. A section with the heading "Opinion" that includes the auditor's opinion, at the level specified by the governmental audit requirement, on whether the entity complied, in all material respects, with the applicable compliance requirements.

h. If other noncompliance that is required to be reported by the governmental audit requirement is identified (that is, noncompliance that does not result in a modified opinion), an other-matter paragraph[6] that includes a description of such noncompliance or a reference to a description of such noncompliance in an accompanying schedule. (Ref: par. .A34)

i. If the criteria used to evaluate compliance are

i. established or determined by contractual agreement or regulatory provisions that are developed solely for the parties to the agreement or regulatory agency responsible for the provisions or

ii. available only to the specified parties,

~~a separate paragraph at the end of the report that includes (1) a statement indicating that the report is intended solely for the information and use of the specified parties, (2) an identification of the specified parties to whom use is restricted, and (3) a statement that the report is not intended to be and should not be used by anyone other than the specified parties. (Ref: par. .A33)~~ ***an alert describing the purpose of the auditor's report and that the report is not suitable for any other purpose, as required by section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication.**[7]

j. The manual or printed signature of the auditor's firm.

k. The city and state where the auditor practices.

l. The date of the auditor's report.

[Revised October 2011 to reflect conforming changes necessary due to the issuance of SAS No. 123.]

[Footnotes 7–17 will be renumbered as footnotes 8–18.]

Combined Report on Compliance and Internal Control Over Compliance

.31

If the governmental audit requirement requires the auditor to report on internal control over compliance and the auditor combines the auditor's report on compliance with a report on internal control over compliance, the following should be added to the report elements listed in paragraph .30, in a section with the heading "Internal Control Over Compliance" that appears before the section required by paragraph .30*i*, if any:

a. A statement that management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, rules, and provisions of contracts or grant agreements applicable to government programs.

b. A statement that in planning and performing the compliance audit, the auditor considered the entity's internal control over compliance with the applicable compliance requirements to determine the auditing procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

c. A statement that the auditor is not expressing an opinion on internal control over compliance.

d. A statement that the auditor's consideration of the entity's internal control over compliance was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance.

e. The definition of *deficiency in internal control over compliance* and *material weakness in internal control over compliance*.

f. A description of any identified material weaknesses in internal control over compliance or a reference to an accompanying schedule containing such a description.

g. If significant deficiencies in internal control over compliance were identified, the definition of *significant deficiency in internal control over compliance* and a description of the deficiencies or a reference to an accompanying schedule containing such a description.

h. If no material weaknesses in internal control over compliance were identified, a statement to that effect.

i. The ~~restricted use paragraph~~ ***alert*** described in paragraph .30*i*. The ~~restricted use paragraph~~ ***alert*** should be included in all combined reports on the entity's compliance and internal control over compliance.

A combined report on compliance and internal control over compliance is presented in the exhibit, "Illustrative Combined Report on Compliance With Applicable Requirements and Internal Control Over Compliance—*(Unmodified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)*."

[No amendments to paragraphs .32–.43 and paragraphs .A1–.A32.]

~~.A33~~

~~Nothing precludes the auditor from restricting the use of any report to intended users.~~[fn 16] (Ref: par. .30*n*)

[No amendments to paragraphs .A34–.A42.]

Amended Footnotes

Section 260, *The Auditor's Communication With Those Charged With Governance*

[1] ~~Paragraph .07 of section 905, *Restricting the Use of an Auditor's Report*. Statement on Auditing Standards (SAS) No. 87, *Restricting the Use of an Auditor's Report*, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and Convergence project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references but has not otherwise been subjected to a comprehensive review or revision.~~ ***Paragraphs .06c and .07 of section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication.**

Section 265, *Communicating Internal Control Related Matters Identified in an Audit*

[2,‡] ~~Statement on Auditing Standards (SAS) No. 87, *Restricting the Use of an Auditor's Report*, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and Convergence project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references but has not otherwise been subjected to a comprehensive review or revision.~~ ***Paragraphs .06c, .07, and .11 of section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication.**

[‡] ~~Statement on Auditing Standards (SAS) No. 87, *Restricting the Use of an Auditor's Report*, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and Convergence project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references but has not otherwise been subjected to a comprehensive review or revision.~~

[9] ***Paragraph .08 of section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication.**

[1] ***When the engagement is also performed in accordance with*** **Government Auditing Standards,** ***the alert required by paragraph .14*****d** ***may read as follows: "The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an***

integral part of an audit performed in accordance with* Government Auditing Standards *in considering the Company's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose." The AICPA Audit Guide Government Auditing Standards* and Circular A-133 Audits *provides additional interpretative guidance, including illustrative reports.

[1] ***When the engagement is also performed in accordance with* Government Auditing Standards, *the alert required by paragraph .14*d *may read as follows: "The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with* Government Auditing Standards *in considering the Organization's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose." The AICPA Audit Guide Government Auditing Standards* and Circular A-133 Audits *provides additional interpretative guidance, including illustrative reports.***

Section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*

~~[8] SAS No. 87, *Restricting the Use of an Auditor's Report*, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and Convergence Project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references but has not otherwise been subjected to a comprehensive review or revision. [Footnote added, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122.]~~

Section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*

[9] Paragraph .08 of section 706.

[10] See ***paragraphs .06*a–b *and .07 of*** section 905, ~~*Restricting the Use of an Auditor's Report*~~ **Alert That Restricts the Use of the Auditor's Written Communication**. ~~SAS No. 87, *Restricting the Use of an Auditor's Report*, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and Convergence project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references but has not otherwise been subjected to a comprehensive review or revision.~~

~~[8] SAS No. 87, *Restricting the Use of an Auditor's Report*, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and~~

~~Convergence project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references but has not otherwise been subjected to a comprehensive review or revision.~~

[18] Paragraph .21.

[19] Paragraph .18*b*.

[20] Paragraphs .19 and .21.

[21] Paragraphs .20–.21.

Section 806, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements*

[1] See section 705, Modifications to the Opinion in the Independent Auditor's Report.

~~2~~, *2* ~~See section 905, *Restricting the Use of an Auditor's Report*. SAS No. 87, *Restricting the Use of an Auditor's Report*, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and Convergence project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references but has not otherwise been subjected to a comprehensive review or revision.~~ ***Paragraphs .06c, .07, and .11 of section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication.**

[3] Paragraph .41 of section 700, *Forming an Opinion and Reporting on Financial Statements*.

[4] See section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*, for guidance on other-matter paragraphs.

[5] See footnote 2.

[9] See footnote 2.

1 ***The subtitle "Report on the Financial Statements" is unnecessary in circumstances when the second subtitle "Report on Other Legal and Regulatory Requirements" is not applicable.***

2 ***In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In addition, the next sentence "Accordingly, we express no such opinion," would not be included.***

3 ***When the engagement is also performed in accordance with*** **Government Auditing Standards,** ***the alert may read as follows: "The purpose of the communication related to compliance with the afore-***

mentioned [compliance requirements] described in the Other Matter paragraph [or, Report on Compliance] is solely to describe the scope of our testing of compliance and the results of that testing. This communication is an integral part of an audit performed in accordance with **Government Auditing Standards** ***in considering ABC Company's compliance. Accordingly, this communication is not suitable for any other purpose." The AICPA Audit Guide Government Auditing Standards*** **and Circular A-133 Audits** ***provides additional interpretative guidance, including illustrative reports.***

Section 915, *Reports on Application of Requirements of an Applicable Financial Reporting Framework*

[2] ***See paragraphs .06*****a–b** ***and .07 of section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication.**

Section 935, *Compliance Audits*

[5] Paragraph .17 of section 705, *Modifications to the Opinion in the Independent Auditor's Report*. [Footnote added, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 123.]

[6] 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. 123.]

[7] ***See paragraphs .06*****a–b,** ***.11, and .A11 of section 905,*** **Alert That Restricts the Use of the Auditor's Written Communication.**

[16] ~~Footnote 4 of section 905, *Restricting the Use of an Auditor's Report*. Statement on Auditing Standards (SAS) No. 87, Restricting the Use of an Auditor's Report, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, Statements on Auditing Standards: Clarification and Recodification, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and Convergence Project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references, but has not otherwise been subjected to a comprehensive review or revision. [Footnote renumbered and revised, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 122. Footnote renumbered, October 2011, to reflect conforming changes necessary due to the issuance of SAS No. 123.]~~