



CPCAF Alert #46– March 22, 2005

DEAR CENTER MEMBERS

Reporting Considerations for Non-Accelerated Filer Audit Reports

In an audit of a non-accelerated filer that has determined it is not required to obtain, nor did it request the auditor to perform, an audit of internal control over financial reporting (under Section 404 (b) of the Sarbanes-Oxley Act of 2002 and Item 308(b) of SEC Regulation S-K), firms may wish to consider expanding their audit report to include a statement that the purpose and extent of the auditor's consideration of internal controls over financial reporting were to determine that the nature, timing and extent of tests to be performed are appropriate in the circumstances, but were not sufficient to express an opinion on the effectiveness of internal control over financial reporting. Firms are not required to expand their audit report to include this statement. However, the SEC staff has indicated that if a firm chooses to expand its report to clarify this point, the language in Interpretation 18 to SAS No. 58 [[CPCAF E-Alert #12](#)] provides appropriate language to consider in an audit conducted in accordance with PCAOB standards. Accordingly, the scope section of the auditor's report might be modified as follows:

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. ***The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.*** An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As an alternative to the first additional sentence suggested by Interpretation 18 to SAS No. 58, a firm also might consider the following:

The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting.

[Back to top](#)

Stay Informed

As a member of the Center, your firm will receive periodic updates on important developments related to the PCAOB and the SEC, as well as the activities of the Center, particularly with respect to the submission of comment letters on PCAOB and SEC proposals. To stay abreast of these and other relevant events in public company audit practice, please visit the **new enhanced** Center Web site at <http://cpcaf.aicpa.org/>. Also, we welcome any suggestions or questions - please send them by e-mail at center@aicpa.org.

Sincerely,

Lillian Ceynowa, CPA
Director – Center for Public Company Audit Firms
(201) 938-3759
lcynowa@aicpa.org

Jeanne Parsons, CPA
Senior Technical Manager - Center for Public Company Audit Firms
(201) 938-3099
jparsons@aicpa.org

Annette Schumacher Barr, CPA
Technical Manager - Center for Public Company Audit Firms
(202) 434-9212
aschumacher@aicpa.org

Kellie Dowd, CPA
Technical Manager - Center for Public Company Audit Firms
(201) 938-3605
kdowd@aicpa.org

If you do not wish to receive emails from the Center for Public Company Audit Firms, please email us at center@aicpa.org

Members of the Center for Public Company Audit Firms (CPCAF or the Center) may only reproduce and distribute

CPCAF e-alerts internally within the firm to other Center member firm personnel as part of the firms' professional services. For information about permission to copy any part of these documents for redistribution or inclusion in other work, please click on the [copyright notice](#) at the bottom of the page or phone the AICPA copyright permission hotline (201) 938-3245.

©2004 The American Institute of Certified Public Accountants, [ISO 9001 Certified](#).

AICPA Online [privacy policies and copyright information](#).

AICPA, 1211 Avenue of the Americas, New York, NY 10036