

Q&A Section 8100

Generally Accepted Auditing Standards

.04 Reporting Guidance Upon Initial Implementation of Statement on Auditing Standards No. 134, as Amended

Inquiry — Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, as amended (hereinafter referred to as SAS No. 134 in this question and answer), addresses, among other things, the auditor’s responsibility to form an opinion on the financial statements and the form and content of the auditor’s report issued as a result of an audit of financial statements. The following AU-C sections¹ from SAS No. 134 become effective for audits of financial statements for periods ending on or after December 15, 2020:

- 700, *Forming an Opinion and Reporting on Financial Statements*
- 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*
- 705, *Modifications to the Opinion in the Independent Auditor’s Report*
- 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report*

Upon the effective date, the required form and content of the auditor’s report will supersede the required form and content of the auditor’s report that has been in effect in extant AU-C section 700A, AU-C section 705A, and AU-C section 706A of the same titles. Early implementation is not permitted.

If a continuing auditor is engaged to perform an audit of comparative financial statements in the first year of implementation of SAS No. 134, is the auditor permitted to express an opinion on all periods presented in one report in accordance with SAS No. 134?

¹ All AU-C sections can be found in AICPA *Professional Standards*.



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Reply — A continuing auditor performing an audit of comparative financial statements in the initial year of implementation of SAS No. 134 may issue one report in accordance with SAS No. 134 that refers to each period for which financial statements are presented and on which the auditor is expressing an opinion (for example, for the year ended December 31, 2020 and 2019). Alternatively, the auditor may issue two separate reports: one in accordance with SAS No. 134 for the current year (year ended December 31, 2020) and one in accordance with extant AU-C section 700A for the prior year (year ended December 31, 2019).

Paragraph .47 of AU-C section 700² notes that comparative financial statements may be required by the applicable financial reporting framework, or management may elect to provide such information. When comparative financial statements are presented, the auditor's report should refer to each period for which financial statements are presented and on which an audit opinion is expressed.

Paragraph .48 of AU-C section 700 is specific to a continuing auditor and the updating of the auditor's report and states the following:

When expressing an opinion on all periods presented, a continuing auditor should update the report on the financial statements of one or more prior periods presented on a comparative basis with those of the current period. The auditor's report on comparative financial statements should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to support the opinion for the most recent audit.

Paragraph .A68 of AU-C section 700 explains that an updated report on prior period financial statements is distinguished from a reissuance of a previous report. An updated report is issued in conjunction with the auditor's report on the current period financial statements. When issuing an updated report, the information considered by the continuing auditor is that which the auditor has become aware of during the audit of the current period financial statements.

[Issue Date: October 2019.]

² Statement on Auditing Standards (SAS) No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*, amends SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*. Paragraph references to AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*, reflect the renumbered paragraphs as amended by SAS No. 137.