

SAS 134

- This Auditor Reporting and Amendments standard will result in the issuance of the following Statements on Auditing Standards (SASs):
 - *SAS Forming an Opinion and Reporting on Financial Statements*
 - *SAS Communicating Key Audit Matters in the Independent Auditor's Report*
 - *SAS Modifications to the Opinion in the Independent Auditor's Report*
 - *SAS Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*
- The auditor reporting SASs would supersede the following sections of SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended:
 - *Section 700, Forming an Opinion and Reporting on Financial Statements*
 - *Section 705, Modifications to the Opinion in the Independent Auditor's Report, as amended*
 - *Section 706, Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*

SAS 134

- The auditor reporting SASs would amend the following sections of SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended:
 - Section 200, *Overall Objectives of the Independent Auditor*
 - Section 210, *Terms of Engagement*
 - Section 220, *Quality Control*
 - Section 230, *Audit Documentation*
 - Section 240, *Consideration of Fraud*
 - Section 260, *Communication with Those Charged with Governance*
 - Section 300, *Planning*
 - Section 315, *Understanding the Entity*
 - Section 320, *Materiality*
 - Section 330, *Performing Audit Procedures*
 - Section 450, *Evaluation of Misstatements*
 - Section 510, *Opening Balances*
 - Section 540, *Auditing Accounting Estimates*
 - Section 570, *Going Concern*
 - Section 600, *Group Audits*
 - Section 910, *Reporting Framework Generally Accepted in Another Country*
- Effective for periods ending on or after December 15, 2020. Early adoption is not permitted

SAS 134

- AU-C 700

- Requires the “Opinion” section to be presented first in the auditor’s report, followed by the “Basis for Opinion” section, unless law or regulation prescribe otherwise
- Requires the “Basis for Opinion” section of the auditor’s report to include an affirmative statement about the auditor’s independence and fulfillment of the auditor’s other ethical responsibilities in accordance with relevant ethical requirements relating to the audit
- Requires the auditor to report in accordance with proposed amendments to AU-C section 570, *The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern*
- Communication of KAMs would not be required for audits of nonissuers. However, if the terms of the audit engagement include reporting KAMs, the auditor would be required to communicate KAMs in accordance with proposed *SAS Communicating Key Audit Matters in the Independent Auditor’s Report*
- Requires the auditor to report in accordance with proposed *SAS The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*
- Expands the description of the responsibilities of management for the preparation and fair presentation of the financial statements, and includes a requirement to identify those responsible for the oversight of the financial reporting process when those responsible for such oversight differ from those responsible for the preparation of the financial statements
- Expands the description of the responsibilities of the auditor and key features of an audit

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- **AU-C Section 570, *Going Concern***: If, after considering identified conditions or events and management's plans, the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, the auditor would include a separate section in the auditor's report under the heading "Substantial Doubt About the Entity's Ability to Continue as a Going Concern" instead of an emphasis-of-matter paragraph. The content of this separate section would be similar to that included in the emphasis-of-matter paragraph.
- **AU-C Section 260, *Communications With Those Charged With Governance***: The auditor would be required to communicate with those charged with governance about the significant risks identified by the auditor (paragraph 11). This communication would be part of the required communication of an overview of the planned scope and timing of the audit. The proposed SAS adds a requirement for the auditor to communicate with those charged with governance about circumstances that affect the form and content of the auditor's report,

Auditor's Report

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ABC Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Report

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Company's ability to continue as a going concern for [*insert the time period set by the applicable financial reporting framework*].

Auditor's Report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Auditor's Report

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ABC Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ABC Company's ability to continue as a going concern for a reasonable period of time.

Auditor's Report

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Other Legal and Regulatory Requirements

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

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]

[Date of the auditor's report]

SAS 135

- The auditor reporting SASs would amend the following sections of SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended:
 - Section 210, *Terms of Engagement*
 - Section 240, *Consideration of Fraud*
 - Section 260, *Communication with Those Charged with Governance*
 - Section 265, *Communicating Internal Control Deficiencies*
 - Section 315, *Understanding the Entity*
 - Section 330, *Performing Audit Procedures*
 - Section 510, *Opening Balances*
 - Section 550, *Related Parties*
 - Section 560, *Subsequent Events*
 - Section 570, *Going Concern*
 - Section 600, *Group Audits*
 - Section 930, *Interim Financial Information*
 - Section 940, *An Audit of Internal Control*
- Effective for periods ending on or after December 15, 2020. Early adoption is not permitted

SAS 135 Highlights

- New language for auditor communications (and related documentation)
 - Engagement letters
 - Letters to management (IC) and TCWG
 - Written representations
- Enhanced specificity to required auditing procedures
 - Related parties
 - Fraud
 - Responses to risk assessment
 - Group audits