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**Communication of matters about interim financial information  
filed or to be filed with specified regulatory agencies – An  
amendment to SAS no. 36, Review of interim financial  
information; Statement on auditing standards, 066**

American Institute of Certified Public Accountants. Auditing Standards Board

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# Communication of Matters About Interim Financial Information Filed or to Be Filed With Specified Regulatory Agencies—An Amendment to SAS No. 36, *Review of Interim Financial Information*

(Amends Statement on Auditing Standards No. 36, AICPA, Professional Standards, vol. 1, AU sec. 722.)

## Introduction

1. This amendment establishes requirements for communications to management and, in certain situations, to audit committees about certain matters involving interim financial information filed or to be filed with specified regulatory agencies when an accountant is engaged (a) to assist an entity in preparing its interim financial information or (b) to perform procedures on the information. The applicability of these communication requirements is discussed in paragraph 3 of this Statement.

2. The Auditing Standards Board has under consideration a broader revision of Statement on Auditing Standards (SAS) No. 36, as amended by this Statement.

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3. This Statement changes the name of SAS No. 36 to *Review of or Performing Procedures on Interim Financial Information*, and replaces existing paragraphs 1 and 2 with new paragraphs 1 through 4, and existing paragraphs 31 and 32 with new paragraphs 33 through 36. Existing paragraphs 3 through 30 are renumbered 5 through 32, and existing paragraph 33 is renumbered 37. Existing footnotes 1 and 2 are replaced by footnotes 1 through 4. Footnotes 3 through 16 are renumbered 5 through 18.

## Amendment to SAS No. 36

### Review of or Performing Procedures on Interim Financial Information

1. This section provides guidance on the nature, timing, and extent of procedures to be applied by the independent accountant in conducting a review of interim financial information, as defined in paragraph 2, and on the reporting applicable to such engagements. It also establishes certain communication requirements for an accountant who has been engaged to perform certain services related to interim financial information, as described in paragraph 3.

#### Applicability

2. The guidance in this section pertaining to a review of interim financial information applies only to engagements involving information either<sup>1</sup>—

- a. That is presented alone, including interim financial statements and summarized interim financial data that purport to conform with the provisions of Accounting Principles Board Opinion No. 28 (Financial Accounting Standards Board, Current Text, vol. 1, AC sec. 173), as amended, and that is issued by a public entity to stockholders, boards of directors, or others, or contained in reports filed with regulatory agencies.<sup>2</sup>

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<sup>1</sup> For purposes of this section, the term *interim financial information* includes financial statements or information for less than a full year or for a twelve-month period ending on a date other than an entity's normal year-end.

<sup>2</sup> For purposes of this section, a *public entity* is any entity (a) whose securities trade on a public market, either on a stock exchange (domestic or foreign) or on the over-the-counter market, including securities quoted only locally or regionally; (b) that makes a filing with a regulatory agency in preparation for the sale of any class of its securities on a public market; or (c) that is a subsidiary, corporate joint venture, or other entity controlled by an entity covered by (a) or (b) (see SAS No. 26, *Association With Financial Statements* [AICPA, *Professional Standards*, vol. 1, AU sec. 504]).

- b.* That accompanies, or is included in a note to, audited financial statements of a public or nonpublic entity.

This section also provides guidance on reporting by the independent auditor when certain selected quarterly data required to be presented with audited annual financial statements by item 302(a) of Regulation S-K of the Securities and Exchange Commission (SEC) are not presented or are presented but have not been reviewed (see renumbered paragraphs 26 and 31).<sup>3</sup>

3. The guidance requiring certain communications as described in renumbered paragraphs 33 through 35 applies only when (a) the accountant's report accompanied an entity's most recent audited annual financial statements filed with a specified regulatory agency,<sup>4</sup> or the accountant has been engaged to audit an entity's annual financial statements for the current period, as stated in a document filed by the entity with a specified regulatory agency, and (b) the accountant is engaged to either—

- a.* Assist the entity in preparing its interim financial information.
- b.* Perform any of the procedures described in renumbered paragraph 8 on the interim financial information. However, mere reading of the interim financial information does not constitute a procedure sufficient to require consideration of the communication requirements described in renumbered paragraphs 33 through 35.

## Understanding With the Client

4. A clear understanding should be established with the client regarding the nature of the procedures to be performed on the interim financial information. Accordingly, the accountant may wish to confirm the nature and scope of the engagement in a letter to the client. The letter usually would include (a) a general description of the procedures, (b) an explanation that such procedures are substantially less in scope than an audit performed in accordance with generally accepted auditing standards, and (c) a description of the form of the report, if any.

*[Renumbered paragraphs 5 through 32 (previously paragraphs 3 through 30) of SAS No. 36]*

<sup>3</sup> Additional considerations of the accountant relating to unaudited interim financial information presented or incorporated by reference in a filing under the Securities Act of 1933 are described in SAS No. 37, *Filings Under Federal Securities Statutes* (AICPA, *Professional Standards*, vol. 1, AU sec. 711). The accountant's involvement with such information in a comfort letter is described in SAS No. 49, *Letters for Underwriters* (AICPA, *Professional Standards*, vol. 1, AU sec. 634).

<sup>4</sup> For purposes of this section, *specified regulatory agencies* are the Securities and Exchange Commission and the following agencies with which an entity files periodic reports pursuant to the Securities Exchange Act of 1934: the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve System, and the Office of Thrift Supervision.

## Communication With Audit Committees

33. As a result of performing the services described in paragraph 3, the accountant may become aware of matters that cause him or her to believe that interim financial information, filed or to be filed with a specified regulatory agency, is probably materially misstated as a result of a departure from generally accepted accounting principles. In such circumstances, the accountant should discuss the matters with the appropriate level of management as soon as practicable.

34. If, in the accountant's judgment, management does not respond appropriately to his or her communication within a reasonable period of time, he or she should inform the audit committee, or others with equivalent authority and responsibility, of the matters as soon as practicable. This communication may be oral or written. If information is communicated orally, the accountant should document the communication in appropriate memoranda or notations in the working papers.

35. If, in the accountant's judgment, the audit committee does not respond appropriately to his or her communication within a reasonable period of time, he or she should evaluate (a) whether to resign from the engagement related to interim financial information and (b) whether to remain as the entity's auditor or stand for reelection to audit the entity's financial statements. The accountant may wish to consult with his or her attorney when making these evaluations.

## Other Matters

36. Subsequent to the date of his or her report, the accountant may become aware that facts existed at the date of the report that might have affected that report had he or she then been aware of the facts. Because of the variety of conditions that might be encountered, the specific actions to be taken by the accountant in a particular case may vary with the circumstances. In any event, the accountant would be well advised to refer to SAS No. 1, *Codification of Auditing Standards and Procedures* (AICPA, *Professional Standards*, vol. 1, AU sec. 561, "Subsequent Discovery of Facts Existing at the Date of the Auditor's Report"), because certain provisions of that section may be relevant to his or her consideration of the type of matter discussed in this paragraph.

[Renumbered paragraph 37 (previously paragraph 33) of SAS No. 36]

## Effective Date

4. This amendment is effective for interim financial information filed or to be filed with a specified regulatory agency for interim periods ending after September 15, 1991.

*This Statement entitled Communication of Matters About Interim Financial Information Filed or to Be Filed With Specified Regulatory Agencies—An Amendment to SAS No. 36, Review of Interim Financial Information was adopted unanimously by the seventeen members of the board.*

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