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**Amendments to statements on auditing standards no. 22,
planning and supervision, no. 59, the auditor's consideration of an
entity's ability to continue as a going concern, and no. 62, special
reports; Statement on auditing standards, 077**

American Institute of Certified Public Accountants. Auditing Standards Executive Committee

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Amendments to Statements on Auditing Standards No. 22, *Planning and Supervision*, No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, and No. 62, *Special Reports*

(Amends Statement on Auditing Standards No. 22, AICPA, Professional Standards, vol. 1, AU sec. 311; Statement on Auditing Standards No. 59, AICPA, Professional Standards, vol. 1, AU sec. 341; and Statement on Auditing Standards No. 62, AICPA, Professional Standards, vol. 1, AU sec. 623.)

Amendment to SAS No. 22

(Amends Statement on Auditing Standards No. 22, AICPA, Professional Standards, vol. 1, AU sec. 311.05.)

1. This amendment clarifies that a written audit program should be prepared for all audits. New language is shown in boldface italics. In addition, the sentences were rearranged in the paragraph. The amendment is effective for engagements beginning after December 15, 1995.

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5. In planning ~~his~~ **the** audit, the auditor should consider the nature, extent, and timing of work to be performed and should prepare a written audit program (or set of written audit programs) **for every audit.** ~~‡ The audit program~~ should set forth in reasonable detail the audit procedures that the auditor believes are necessary to accomplish the objectives of the audit. ~~An audit program aids in instructing assistants in the work to be done.~~ The form of the audit program and the extent of its detail will vary **with the circumstances.** In developing the program, the auditor should be guided by the results of ~~the~~ **his** planning considerations and procedures. As the audit progresses, changed conditions may make it necessary to modify planned audit procedures.

Amendment to SAS No. 59

(Amends Statement on Auditing Standards No. 59, AICPA, Professional Standards, vol. 1, AU sec. 341.13.)

2. SAS No. 59 requires the auditor to reach a conclusion in every audit about whether there is substantial doubt about an entity's ability to continue as a going concern for a reasonable period of time. Some auditors issue reports in which the auditor's conclusion about the entity's ability to continue as a going concern is unclear because of the use of conditional terminology such as, "If the company is unable to obtain refinancing, there may be substantial doubt about the company's ability to continue as a going concern." SAS No. 59 is amended to preclude the auditor from using conditional language in the auditor's conclusion about the entity's ability to continue as a going concern in a going-concern explanatory paragraph. New language is shown in boldface italics. This amendment is effective for reports issued after December 15, 1995.

13. An example follows of an explanatory paragraph (following the opinion paragraph) in the auditor's report describing an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time.⁵

⁵ *In a going-concern explanatory paragraph, the auditor should not use conditional language in expressing a conclusion concerning the existence of substantial doubt about the entity's ability to continue as a going concern. Examples of inappropriate wording in the explanatory paragraph would be, "If the Company continues to suffer recurring losses from operations and continues to have a net capital deficiency, there may be substantial doubt about its ability to continue as a going concern" or "The Company has been unable to renegotiate its expiring credit agreements. Unless the Company is able to obtain financial support, there is substantial doubt about its ability to continue as a going concern."*

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note X. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Amendment to SAS No. 62

(Amends Statement on Auditing Standards No. 1, Codification of Statements on Auditing Standards, AICPA, Professional Standards, vol. 1, AU sec. 544, "Lack of Conformity With Generally Accepted Accounting Principles," paragraphs .02 and .04, and Statement on Auditing Standards No. 62, AICPA, Professional Standards, vol. 1, AU sec. 623.05 and .08.)

3. These amendments preclude general distribution of audited financial statements prepared in accordance with the requirements of financial reporting provisions of a government regulatory agency pursuant to SAS No. 62. New language is shown in boldface italics. These amendments are effective for audits of financial statements for periods ended on or after December 31, 1996.

[AU sec. 544]

4. Footnote 1 to paragraph 2 would be amended as follows.

¹When reporting on financial statements of a regulated **entity company** that are prepared in accordance with the requirements of financial reporting provisions of a government regulatory agency to whose jurisdiction the **entity company** is subject, the auditor may report on the financial statements as being prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles (see paragraphs 2 and 10 of SAS No. 62, *Special Reports* [AICPA, *Professional Standards*, vol. 1, AU sec. 623.02 and .10]). Reports of this nature, however, should be issued only if the financial statements are intended solely for filing with **one or more** the regulatory agencies **to whose jurisdiction the entity is subject**. ~~or if additional distribution is recognized as appropriate by an AICPA accounting or audit guide or auditing interpretation.~~

5. Paragraph 4 would be amended as follows.

4. When financial statements of a regulated **entity company** are prepared in accordance with a basis of accounting prescribed by **one or more regulatory agencies** ~~its supervisory agency~~ or the financial reporting provisions of another agency, the independent auditor may also be requested to report on their fair presentation in conformity with such prescribed

basis of accounting in presentations **for distribution in** other than filings with the **entity's** company's regulatory agency. In those circumstances, ~~except when such reporting is recognized as appropriate by an AICPA accounting or audit guide or auditing interpretation,~~ the auditor should use the standard form of report (see SAS No. 58, *Reports on Audited Financial Statements* [AICPA, *Professional Standards*, AU sec. 508.08]), modified as appropriate (see SAS No. 58 [AICPA, *Professional Standards*, AU sec. 508.49–~~69.66~~]) because of the departures from generally accepted accounting principles, and then, in an additional paragraph to the report, express an opinion on whether the financial statements are presented in conformity with the prescribed basis of accounting.

[AU sec. 623]

6. Paragraph 5(f) would be amended as follows.

5f. If the financial statements are prepared in conformity with the requirements or financial reporting provisions of a governmental regulatory agency (see paragraph .04a), a paragraph that restricts the ~~use distribution~~ of the report solely to those within the entity and for filing with the regulatory agency. Such a restrictive paragraph is appropriate, even though by law or regulation the auditor's report may be made a matter of public record.⁴ However, the auditor may use this form of report only if the financial statements and report are intended solely for filing with **one or more** the regulatory agencies to whose jurisdiction the entity is subject.⁵ ~~or if additional distribution is recognized as appropriate by an AICPA audit or accounting guide or auditing interpretation.~~

7. Paragraph 8 would be amended as follows. Footnotes 4 to 37 will be renumbered to footnotes 4 to 39. The illustrated reports will not change.

⁴ **Public record, for purposes of auditor's reports on financial statements of a regulated entity that are prepared in accordance with the financial reporting provisions of a government regulatory agency, includes circumstances in which specific requests must be made by the public to obtain access to or copies of the report. In contrast, the auditor would be precluded from using this form of report in circumstances in which the entity distributes the financial statements to parties other than the regulatory agency either voluntarily or upon specific request.**

⁵ If the financial statements and report are intended for ~~use distribution~~ other than for filing with **one or more** the regulatory agencies to whose jurisdiction the entity is subject ~~or if such additional distribution is not recognized as appropriate by an AICPA audit or accounting guide or auditing interpretation,~~ the auditor should ~~consider~~ **follow** the guidance in SAS No. 1, *Codification of Statements on Auditing Standards* (AICPA, *Professional Standards*, vol. 1, AU sec. 544, "Lack of Conformity With Generally Accepted Accounting Principles").

.08 Following are illustrations of reports on financial statements prepared in conformity with a comprehensive basis of accounting other than generally accepted accounting principles.⁶

8. In addition, conforming changes will be made in paragraphs 15f, 20e, 25f, and 29g of SAS No. 62 to change the term *distribution* to *use*.

⁶ *If the report is a matter of public record, the following sentence may be added: "However, this report is a matter of public record and its distribution is not limited."*

This Statement entitled Amendments to Statements on Auditing Standards No. 22, Planning and Supervision, No. 59, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, and No. 62, Special Reports was adopted unanimously by fourteen members of the board.

Auditing Standards Board (1995)

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