

University of Mississippi

eGrove

Newsletters

American Institute of Certified Public Accountants (AICPA) Historical Collection

5-1997

Practice Alert 97-1: Financial Statements on the Interenet; Members in Public Accounting Firms, January/February 1997

American Institute of Certified Public Accountants. Professional Issues Task Force

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news



Part of the [Accounting Commons](#)

Recommended Citation

American Institute of Certified Public Accountants. Professional Issues Task Force, "Practice Alert 97-1: Financial Statements on the Interenet; Members in Public Accounting Firms, January/February 1997" (1997). *Newsletters*. 1934.

https://egrove.olemiss.edu/aicpa_news/1934

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

Members in Public Accounting Firms

January/February 1997

AICPA

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Practice Alert 97-1

Notice To Readers

This practice alert is intended to provide auditors with information that may help them improve the efficiency and effectiveness of their audits. This document has been prepared by the SEC Practice Section Professional Issues Task Force and is based on the experiences of the individual members of the task force and matters arising from litigation and peer reviews. It has not been approved, disapproved or otherwise acted upon by any committee of the AICPA.

Financial Statements on the Internet

Generally accepted auditing standards (GAAS) provides guidance to independent auditors when clients publish documents that contain information (hereinafter "other information") in addition to audited financial statements and the independent auditor's report thereon. (See AU 550.) Examples of such documents include Annual Reports to Shareholders, annual reports of not-for-profit organizations, and annual reports filed with regulatory authorities under the Securities Exchange Act of 1934.¹

Recent technology has changed the traditional means of disseminating information. Today, some entities are including their annual audited financial statements and related auditor's report on the Internet. The Internet is an interactive medium, where entities portray information in components referred to as "pages," which can be connected to other pages appearing elsewhere on the "Web site" through "hyperlinks." Thus, the commingling of data from various sources is controlled by the "reader" or "browser," rather than the traditional binding of tangible documents.

¹ AU 550 is not applicable when financial statements and report appear in a registration statement filed under the Securities Act of 1933. See AU 634 and AU 711.

The users of the new technology are different from the client personnel with whom the auditor most often interacts. Today, the technological frontier (the Internet) is largely a marketing arena, but those users are not limited to the familiar marketing tools. For example, an entity might decide to include (by embedding a hyperlink) marketing information in the revenue recognition section of their summary of significant accounting policies. Also, this marketing information might be updated weekly.

Auditors have recently asked questions regarding the dissemination of audit reports and the accompanying financial statements on the Internet, some of which are:

• ***Does an independent auditor have an obligation with respect to the ever-changing other information in an electronic site that contains audited financial statements and the related auditor's report?***

The Auditing Standards Board recently approved for issuance an interpretation to AU 550 entitled "Other information in electronic sites that contain audited financial statements," to address this question. The interpretation advises that auditors do not have an obligation

continued on page J2

Published for AICPA members in public accounting firms. Opinions expressed in this CPA Letter supplement do not necessarily reflect policy of the AICPA.

Peter Quinn, supplement editor
201/938-3064; fax 201/938-3056
e-mail: pquinn@aicpa.org

Ellen J. Goldstein, CPA Letter editor
212/596-6112
e-mail: egoldstein@aicpa.org

pursuant to AU 550 to read or consider information included in an electronic site.

• How may a client ensure the security of information integrity when published on the Internet? Tales appear daily in the news media concerning hackers breaking into previously thought secure databases, and altering or deleting information.

The auditor may wish to discuss these concerns with the client, so that the client may review the safeguards utilized to protect the data.

• Can a client who distributes its audited financial statements and auditor's report on the Internet set it up so that a user knows when they are hyper-linking to matters outside of that document?

Yes, and at least one large organization has done so by creating distinct boundaries around its "annual report." Specifically, when users either enter or leave pages of the annual report, they are warned with a message. (Alternatively, entities might wish to clearly mark each page of the annual report information as being a part of the annual report.)

Because of the way traditional documents are typically broken into much smaller "pages" for publishing on the Internet, it can be difficult for a user to locate a complete "document." Entities may wish to provide a facility on their site that would allow easy access to all parts of a document or the ability to download or print an entire document.

Auditors may wish to discuss these matters with the client during the performance of the audit.