

Agenda Item 9

Standing Advisory Group Meeting

June 21-22, 2004

Potential Standard – Engagement Quality Reviews
(Also known as Concurring or Second Partner Review)

Introduction

The Standing Advisory Group ("SAG") will discuss issues related to the development of a Public Company Accounting Oversight Board ("PCAOB" or the "Board") standard on concurring or second partner review, which is also known as an engagement quality review. The purpose of the discussion is to (a) describe the current standard on engagement quality review, and (b) consider and discuss various issues for a new engagement quality review standard. Engagement quality reviews are of interest to preparers of financial statements, audit committees, auditors, and investors because the reviews may be designed to provide a timely and objective evaluation of the quality of the audit and the appropriateness of the audit conclusions before the audit report is issued.

Overview

Section 103 of the Sarbanes-Oxley Act of 2002 (the "Act") directs the Board to include, in the auditing standards that it adopts, requirements that each registered public accounting firm shall–

This paper was developed by the staff of the Office of the Chief Auditor in order to foster discussion among the members of the SAG. It is not a statement of the Board; nor does it necessarily reflect the views of the Board or the PCAOB staff.

provide a concurring or second partner review and approval of such audit report (and other related information), and concurring approval in its issuance, by a qualified person (as prescribed by the Board) associated with the public accounting firm, other than the person in charge of the audit, or by an independent reviewer (as prescribed by the Board).^{1/}

The audit failures and related audit problems that led to the passage of the Sarbanes-Oxley Act of 2002 (the "Act") and the establishment of the PCAOB resulted from audits that had concurring partner reviews based on existing requirements for such reviews. The fact that the Act mandated the PCAOB to adopt or develop a standard for "concurring or second partner review and approval of . . . audit report[s]" places renewed emphasis on the importance of such review and approval and signals Congressional intent that the existing requirements for such reviews be re-evaluated.

This paper uses the term "engagement quality review"^{2/} because it provides a more accurate description of the nature and objectives of the review than the terms "concurring partner review" or "second partner review." The term "concurring partner review" may not be the most appropriate term because it implies that the objective of the review is to "concur" with the lead partner and engagement team rather than to provide an objective and critical assessment. The term "second partner review" may not be the most appropriate term because some large engagements may include two or more partners on the engagement team, making the engagement quality reviewer not necessarily the "second partner."

Background

Generally accepted auditing standards and the *Statements on Auditing Standards* ("SAS") issued by the Auditing Standards Board ("ASB") do not include a requirement for an engagement quality review. However, the SEC Practice Section

^{1/} Section 103(a)(2)(A)(ii) of the Act.

^{2/} The International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC") uses the term "engagement quality control review" to describe this type of review in its recently issued International Standard on Quality Control (ISQC No. 1) and International Standard on Auditing No. 220 (ISA No. 220).

("SECPS")³ of the AICPA required what it calls a "concurring partner review" for more than 20 years. The SECPS requirement for a concurring partner review was revised with an effective date of March 31, 2002,⁴ and is included in the interim standards adopted by the PCAOB.⁵

During 2003, both the ASB⁶ and the International Auditing and Assurance Standards Board ("IAASB") of the International Federation of Accountants ("IFAC") developed proposals for revised standards for engagement quality reviews. The ASB did not finalize its proposal, but instead made a recommendation on a proposed standard to the PCAOB. The IAASB finalized its standards for engagement quality reviews in February 2004.⁷

Development of the Standard

In establishing the PCAOB and articulating its mission, the Act specified that the Board should establish standards that it regards as necessary or appropriate in the public interest or for the protection of investors. Well-performed engagement quality reviews are an important element in establishing a basis for investor reliance on audits. While some audits may also be subject to post hoc internal quality review by a firm or a PCAOB inspection, the engagement quality review forms the bedrock of investor reliance because (1) it is contemporaneous with an audit and, thus, may correct a

³ Effective January 1, 2004, the AICPA replaced the SECPS with the new Center for Public Company Audit Firms.

⁴ *SECPS Reference Manual*, Section 1000.39, Appendix E.

⁵ PCAOB Rule 3400T, *Interim Quality Control Standards*, Part (b) concerns adoption of the SECPS requirements as part of the PCAOB interim standards.

⁶ Auditing Standards Board *Proposed Statement on Auditing Standards: Review of SEC Engagements by a Reviewing Partner* (August 2003). (Appendix A shows this proposal.)

⁷ Paragraphs 60-73 of ISQC No. 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*, and paragraphs 36-40 of International Standard on Auditing No. 220, *Quality Control For Audits of Historical Financial Information*. The IAASB issued both standards in February 2004. These standards are available on the IFAC's web site at <http://www.ifac.org>.

problem before an audit is completed, and (2) it is performed on every audit. An engagement quality review standard should thus—

- Increase the effectiveness of such reviews, which will, in turn,
- Decrease the risk that future reviews performed in accordance with the new standard will fail to detect departures from standards of the PCAOB or conclusions in the engagement report that are not appropriate in the circumstances.

The development of an effective and appropriate standard for engagement quality reviews could address and resolve major issues and questions related to such reviews, including the following—

- Objectives of the engagement quality review;
- Qualifications of the reviewer;
- Distinction between responsibility of the reviewer and the lead partner;
- Timing, documentation, and differences of opinion;
- Review process: for audits of financial statements;
- Review process: for audits of internal control over financial reporting; and
- Review process: for reviews of interim financial information.

Objectives of the Engagement Quality Review

Both the PCAOB interim requirement and the ASB proposal indicate that an objective of the engagement quality review is to provide an "objective review" of significant auditing, accounting, and financial reporting matters. Both specify that the engagement quality review involves performing certain specified procedures designed to provide the reviewer with a basis for making a "negative assurance" conclusion (*i.e.*, conclusion that no matters came to the reviewer's attention that would cause the reviewer to believe that the financial statements are not in conformity with generally accepted accounting principles in all materials respects, or that the firm's audit was not performed in accordance with generally accepted auditing standards). Neither of these

requires the reviewer to reach an affirmative conclusion regarding the quality of the engagement.

In February 2004, the IAASB issued two standards related to engagement quality control reviews (International Standard on Quality Control ("ISQC") No. 1 and International Standard on Auditing ("ISA") No. 220). The provisions related to engagement quality control reviews contained in the new IAASB standards provide guidance that should be useful in developing the new PCAOB standard. These international standards state that the engagement quality review should include an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the auditor's report. The international standards do not require the reviewer to reach an affirmative conclusion regarding the quality of the engagement or the appropriateness of conclusions in the engagement report and do not include a requirement that an engagement quality reviewer approve the audit report.

One of the most fundamental issues in developing a new standard for engagement quality reviews is to consider what the objectives of an engagement quality review and approval ought to be and whether the current standard, applied to all firms, is sufficient to meet those objectives. For example, it may be desirable for the new standard to include a requirement, or some other form of strong encouragement, for the engagement quality reviewer to raise relevant issues that were not identified by the engagement team and to use professional judgment in determining additional review procedures that are appropriate for the specific circumstances of the engagement (in addition to performing specified required procedures).

Issues surrounding development of a standard on engagement quality review are closely related to questions concerning the appropriate limits on the amount of work the reviewer should be expected to perform and the extent of responsibility the reviewer would assume.

1. General Question: What should the objectives of an engagement quality review be? What sort of assurance is appropriate to permit a reviewer's "approval" of an audit report and "concurring approval in its issuance" under Section 103(a)(2)(A)(ii) of the Act?

Related questions—

- a. Should an engagement quality review be limited to performing specified procedures and providing only "negative assurance" about whether certain matters came to the reviewer's attention? If not, should the new standard require some form of "positive assurance?" If "positive assurance" is required, what should be the nature and form of such "positive assurance?"
- b. Should the objective of an engagement quality review be to provide the reviewer with an appropriate basis for concluding that (1) the engagement was performed in accordance with standards of the PCAOB and (2) the opinion or other conclusions in the engagement report are appropriate in the circumstances?
- c. What kind of conclusion should the engagement quality reviewer provide to approve issuance of an audit report?
- d. Should the reviewer provide an opinion or other conclusion on the work of the lead audit partner?

Qualifications of the Reviewer

The two overriding qualifications of an engagement quality reviewer are competence and independent objectivity.

Competence. The SECPS requirement for concurring partner review (the interim standard) describes the required competence of the reviewer as follows—

The concurring partner reviewer should have sufficient technical expertise and experience to achieve the purpose [of the review]. The determination of what constitutes sufficient technical expertise and experience requires consideration and is tailored to the circumstances of the engagement, including the personnel assigned to the engagement. An effective concurring partner review contemplates knowledge of relevant specialized industry practices. It also contemplates that the concurring partner reviewer possesses knowledge of SEC rules and regulations in areas where such rules and regulations are pertinent. There are various ways to obtain such knowledge in addition to personal audit experience, such as attendance at relevant training courses and through self-study. The

concurring partner reviewer should seek assistance from other individuals to supplement this knowledge when necessary in the circumstances.^{9/}

It may be desirable to strengthen the requirements for reviewer competence, such as by adding the following requirements—

- Adequate knowledge of PCAOB standards and requirements;
- The ability and conviction to maintain positions that are consistent with professional standards and values in debates with peers and superiors; and
- Strong commitment to high quality professional work, professional standards, professional values, and the public interest.

The existing AICPA Statements on Quality Control Standards, adopted as interim standards of the PCAOB, include competency requirements for a "practitioner-in-charge" of an attest engagement. The competency requirements for a practitioner-in-charge of an attest engagement include—

- Understanding of the role of a system of quality control and ethical requirements;
- Understanding of the service to be performed;
- Technical proficiency;
- Familiarity with the industry;
- Professional judgment; and
- Understanding the organization's information technology.^{10/}

These competency requirements also may be appropriate for an engagement quality reviewer.

^{9/} SECPS Reference Manual, sec. 1000.39, Appendix E.

^{10/} AICPA, *Statements on Quality Control Standards*, QC sec. 40.08.

Independence and Objectivity. The SECPS requirement for concurring partner review (the interim standard) describes the independence and objectivity of the reviewer as follows—

The tone set at the top of the firm should encourage and support the performance of objective concurring partner reviews. In this regard, firm policy should state that the concurring partner reviewer is expected to carry out his or her responsibilities with objectivity and due professional care without regard to the relative positions of the audit engagement partner and the concurring partner reviewer. Further, the concurring partner reviewer should not assume any of the responsibilities of the audit partner-in-charge of the engagement or have responsibility for the audit of any significant subsidiaries, divisions, benefit plans, or affiliated or related entities. In addition, a prior audit engagement partner should not serve as the concurring partner reviewer for at least two annual audits following his or her last year as the audit engagement partner.^{11/}

2. General Question: Should the new PCAOB standard for engagement quality reviews strengthen the requirements for reviewer competency, independence and objectivity? If so, how should they be strengthened? What qualifications should the engagement quality reviewer possess?

Related questions—

- a. Should the competency requirements for a reviewer be essentially the same as those for a person who is in charge of an engagement? If not, how should the competency requirements for a reviewer differ?
- b. Does the reviewer need to be a partner of the auditing firm performing the audit? Could the reviewer be another person of equivalent experience and authority in the firm, or a suitably qualified external consultant associated with the firm who has sufficient and appropriate knowledge, experience, objectivity, and authority to achieve the objectives of an engagement quality review?

Distinction between Responsibility of the Engagement Quality Reviewer and the Lead Partner

^{11/} SECPS Reference Manual, sec. 1000.39, Appendix E.

The responsibility of the engagement quality reviewer is different from the responsibility of the lead partner. The lead partner has the ultimate responsibility for decisions regarding the planning and performance of the engagement in accordance with standards of the PCAOB. The engagement quality reviewer does not have the extensiveness of first-hand observation, knowledge, and exposure that the lead partner and engagement team have regarding discussions with management and other company personnel, reviews of company documents or controls, or observations of management's actions or attitudes. Therefore, the reviewer is not expected to re-perform the engagement or to examine or evaluate every piece of evidential matter gathered and evaluated by the lead partner and engagement team and cannot be expected to provide the same level of assurance as the lead partner and engagement team, which is reasonable assurance—a high, but not absolute, level of assurance.

However, the engagement quality reviewer plays a critical public interest role in the process of preparing and issuing audit reports that are necessary to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. To perform this role, the engagement quality reviewer would need to be responsible for performing an independent, objective, and critical assessment of the engagement quality that would provide the reviewer with a reasonable basis for a conclusion about the quality of the engagement.

3. General Questions: What should be the responsibilities (and limitations of responsibilities) of the engagement quality reviewer? What should be the distinction between the responsibility of the engagement quality reviewer and the responsibility of the lead partner?

Timing, Documentation, and Differences of Opinion

The performance of an engagement quality review involves critical issues related to the appropriate timing of the review, the appropriate nature and extent of documentation of the review, and the appropriate policies and procedures for resolving differences of opinion between the engagement quality reviewer and others, including the lead partner and members of the engagement team.

4. General Question: What requirements should be established regarding the timing and documentation of the engagement quality review and the resolution of differences of opinion related to the review?

Related questions—

- a. When should the engagement quality review be performed? Should it be performed at, or near the end of, the engagement or throughout the engagement process?
- b. Should there be a requirement that the engagement quality review be completed before the *date of* the audit report, or is it sufficient that it be completed prior to the *issuance of* the audit report?

Engagement Quality Review Process: For Audits of Financial Statements

The interim standard describes the procedures for the concurring partner review as follows—

The concurring partner reviewer's responsibility is fulfilled by performing the following procedures—

- Discussing significant accounting, auditing and financial reporting matters with the audit engagement partner;
- Discussing the audit engagement team's identification and audit of high-risk transactions and account balances;
- Reviewing documentation of the resolution of significant accounting, auditing and financial reporting matters, including documentation of consultation with firm personnel or resources external to the firm's organization (such as standard-setters, regulators, other accounting firms, the AICPA, and state societies of CPAs);
- Reviewing a summary of unadjusted audit differences;
- Reading the financial statements and auditors' report; and
- Confirming with the audit engagement partner that there are no significant unresolved matters.

These procedures provide the basis for the concurring partner reviewer to perform an objective review of accounting, auditing and financial reporting

matters that were considered significant by the engagement team in conducting the audit.^{12/}

The SAG could consider whether the reviewer should be responsible for raising relevant and critical issues that the lead partner and engagement team may not have considered and for using professional judgment to perform additional procedures based on the circumstances of the engagement.

5. General Question: What should be the nature of the engagement quality review process (and related procedures) for audits of financial statements?

Related questions—

- a. Should the reviewer be responsible for raising relevant and critical issues that the lead partner and engagement team may not have considered that may have a potentially significant effect on the quality of the engagement or the appropriateness of the conclusions in the engagement report?
- b. Should the standard for engagement quality reviews require the reviewer, after performing specified minimum procedures, to make a professional judgment regarding additional procedures that might be necessary to provide an appropriate basis for a conclusion about the quality of the engagement?

Engagement Quality Review Process: For Audits of Internal Control Over Financial Reporting

The PCAOB Auditing Standard No. 2, *An Audit of Internal Control over Financial Reporting Performed in Conjunction with an Audit of Financial Statements*, specifies that the audit of internal control over financial reporting should be integrated with the audit of the financial statements. Therefore, it might be reasonable to expect that the engagement quality review of an audit of internal control over financial reporting should be integrated with the engagement quality review of the audit of financial statements.

6. General Question: What additional matters and related procedures, if any, should be applicable to engagement quality reviews for audits of internal control over financial reporting (beyond what is required for the engagement quality review of a review of an audit of financial statements)?

^{12/} SECPS Reference Manual, sec. 1000.39, Appendix E.

Engagement Quality Review Process: For Reviews of Interim Financial Information

The objectives and procedures for an engagement to review interim financial information are more limited than for an engagement to audit financial statements. Therefore, it might seem appropriate that the nature and extent of the procedures required for an engagement quality review of a review of interim information would be more limited than for an engagement quality review of an audit of the financial statements. However, many procedures that would be required for a quality review of an audit of financial statements also may be appropriately required for a quality review of an engagement to review interim financial information.

7. General Question: What should the nature of the engagement quality review process for reviews of interim financial information be and what procedures should be required for the reviews?

APPENDIX A

ASB Proposed Statement of Auditing Standards: Review of SEC Engagements by a Reviewing Partner

A recommendation by the ASB to the PCAOB (August 2003)

Introduction

1. This statement establishes standards for Securities and Exchange Commission (SEC) engagements^{1/} for a review to be performed by a reviewing partner^{2/} of the audit of the entity's financial statements and, where applicable, the review of the entity's interim financial information in accordance with Statement on Auditing Standards (SAS) No. 100, *Interim Financial Information* (AICPA, *Professional Standards*, vol. 1, AU sec. 722), and the audit of the entity's internal control over financial reporting in accordance with the proposed SAS, *Auditing an Entity's Internal Control Over Financial Reporting in Conjunction With the Financial Statement Audit*. The review performed by the reviewing partner serves as an objective review of significant auditing, accounting, and financial reporting matters^{3/} and, where applicable, of significant internal control and related reporting matters that come to the attention of the reviewing partner. This statement also provides guidance on the responsibilities and qualifications of the reviewing

^{1/} See note 2 of Statement on Auditing Standards (SAS) No. 61, *Communication With Audit Committees*, (AICPA, *Professional Standards*, vol. 1, AU sec. 380) for the definition of SEC engagements.

^{2/} A partner is a proprietor, shareholder, equity or non-equity partner or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned. If no other partner within the firm has the necessary qualifications for a reviewing partner, use of a partner of another accounting firm who meets the necessary qualifications for a reviewing partner is not precluded.

^{3/} For purposes of the reviewing partner review, the term *significant auditing, accounting, and financial reporting matters* refers to matters involving a significant risk of material misstatement of financial statements, including a material disclosure deficiency.

partner, the review procedures to be performed, and related documentation requirements.

2. With respect to the audit of financial statements, the reviewing partner's objective is to conclude that no matters have come to his or her attention that would cause him or her to believe that the financial statements are not in conformity with generally accepted accounting principles in all material respects, or that the audit was not performed in accordance with generally accepted auditing standards. With respect to the review of interim financial information, the reviewing partner's objective is to conclude that no matters have come to his or her attention that would cause him or her to believe that material modifications should be made to the interim financial information for it to be in conformity with generally accepted accounting principles, or that the review was not performed in accordance with SAS No. 100. With respect to the audit of internal control, the reviewing partner's objective is to conclude that no matters have come to his or her attention that would cause him or her to believe that management's assertion about internal control is not fairly stated, in all material respects, based upon suitable criteria, or that the audit was not performed in accordance with generally accepted auditing standards. In each case, the reviewing partner bases his or her conclusions on all relevant facts and circumstances of which the reviewing partner has knowledge.

Responsibilities of the Reviewing Partner

3. The reviewing partner's responsibility is not the equivalent of the responsibility of the lead audit partner (defined herein to mean the auditor with final responsibility for the audit). Without first-hand knowledge of the entity's business environment, the benefit of discussions with management and other entity personnel, the opportunity to review entity documents or controls, or the ability to observe management's actions or attitudes, a reviewing partner generally is not in a position to make the informed judgments on significant issues expected of the lead audit partner. However, the reviewing partner should reach conclusions based on all relevant facts and circumstances of which he or she has knowledge.

4. The reviewing partner is expected to objectively perform the procedures specified below. These procedures provide the basis for the reviewing partner to perform an objective review of the findings or issues that were considered to be significant by the audit team. The reviewing partner is not responsible for searching for additional matters to be considered by the audit team. However, significant matters not previously identified by the audit team that come to the reviewing partner's attention should be referred to and resolved by the audit team with the concurrence of the reviewing partner.

5. If the reviewing partner and the lead audit partner have a difference of opinion regarding a significant finding or issue, the difference of opinion should be resolved in accordance with applicable firm policy. If the reviewing partner and the lead audit partner continue to have a difference of opinion after the matter has been resolved, the difference and its resolution should be documented as described in SAS No. 22, *Planning and Supervision* (AICPA, *Professional Standards*, vol. 1, AU sec. 311.14).

Qualifications of the Reviewing Partner

6. The reviewing partner should have sufficient technical expertise and experience to achieve the objectives described above. The determination of what constitutes sufficient technical expertise and experience requires professional judgment and is based on the circumstances of the engagement. The reviewing partner should possess knowledge of applicable specialized industry practices and of relevant SEC rules and regulations. When necessary, the reviewing partner should seek assistance from other individuals to supplement this knowledge.

7. The reviewing partner should not assume any of the responsibilities of the lead audit partner, or have responsibility for the audit of any significant subsidiaries, divisions, benefit plans, or affiliated or related entities. It is not unusual for clients to be aware of the existence of a reviewing partner. A client may contact the reviewing partner with respect to matters requiring immediate attention when the lead audit partner is not available. When a reviewing partner is thus required to deal with an auditing, accounting, internal control, or reporting matter, he or she should advise the lead audit partner of the facts and circumstances so that the lead audit partner can review the matter and take full responsibility for its resolution.

Review of the Audit of the Financial Statements

8. The reviewing partner's responsibility for the review of the audit of the financial statements is fulfilled by performing the following procedures:

- Discussing with the lead audit partner the audit team's identification and audit of significant risks
- Discussing with the lead audit partner significant auditing, accounting, and financial reporting matters

- Discussing with the lead audit partner the matters required to be communicated with the audit committee by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*
- Reviewing documentation of audit findings or issues that are significant, including actions taken to address them, and the basis for the final conclusions reached^{4/}
- If others in the firm were involved in consultations on significant auditing, accounting, or financial reporting matters, discussing the resolution of such matters with the individuals involved in those consultations, or reviewing documentation of such consultation, including the resulting resolution
- Reviewing a summary of uncorrected financial statement misstatements
- Reading the financial statements and auditors' report
- Confirming with the lead audit partner that there are no significant unresolved matters
- Reading other information in documents covered by SAS No. 8, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 550), and SAS No. 37, *Filings Under Federal Securities Statutes* (AICPA, *Professional Standards*, vol. 1, AU sec. 711)

Review of the Review of Interim Financial Information

9. The reviewing partner's procedures with respect to reviews of interim financial information performed in accordance with SAS No. 100 are similar to those described in paragraph 8.

Review of the Audit of Internal Control

10. The reviewing partner's responsibility for the review of the audit of internal control is fulfilled by performing the following procedures:

^{4/} Documentation to be reviewed includes summary memoranda or other documentation of the resolution of significant audit findings or issues, and may include selected, more detailed documentation. The extent of the documentation reviewed is a matter of professional judgment made by the reviewing partner.

- Discussing with the lead audit partner the audit team's identification and audit of significant internal controls
- Discussing with the lead audit partner any circumstances that caused significant difficulty in applying tests of operating effectiveness
- Reviewing conclusions about whether identified internal control deficiencies constitute significant deficiencies or material weaknesses
- If others in the firm were involved in consultations on significant internal control and related reporting matters, discussing the resolution of such matters with the individuals involved in those consultations, or reviewing documentation of such consultation, including the resulting resolution
- Reading management's assertion about the effectiveness of internal control over financial reporting and the auditors' report thereon^{5/}
- Confirming with the lead audit partner that there are no significant unresolved matters

Timing

11. The reviewing partner's procedures may be performed at the conclusion of the engagement or at various times during the course of the engagement. In all cases, however, the reviewing partner's review should be completed before the issuance of the audit reports on the financial statements and internal control, or before the filing of the Form 10-Q or Form 10-QSB, or such other filing, containing the interim financial information, and before the reissuance of audit reports where performance of subsequent event procedures^{6/} is required by professional standards.

Documentation

^{5/} As discussed in paragraph 14 of the proposed SAS, *Auditing an Entity's Internal Control Over Financial Reporting in Conjunction With the Financial Statement Audit*, the auditor may issue a separate report on internal control or a combined report on the financial statements and internal control.

^{6/} In this instance, the reviewing partner ordinarily would concern himself or herself with matters relating to the subsequent events procedures.

12. Documentation should demonstrate that the review procedures required by this statement have been performed and include, as applicable, the reviewing partner's conclusions that no matters came to his or her attention that would cause him or her to believe that: (a) the financial statements are not in conformity with generally accepted accounting principles in all material respects, or that the audit was not performed in accordance with generally accepted auditing standards; (b) material modifications should be made to the interim financial information for it to be in conformity with generally accepted accounting principles, or that the review was not performed in accordance with SAS No. 100; or (c) management's assertion about internal control is not fairly stated, in all material respects, based upon suitable criteria, or that the audit was not performed in accordance with generally accepted auditing standards.