



## Agenda Item 3C

### Proposed Statement on Auditing Standards (SAS), *The Auditor's Communication With Those Charged With Governance*

Matrix — Comparison of ISA 260 (Revised), *The Auditor's Communication With Those Charged With Governance* to proposed SAS, *The Auditor's Communication With Those Charged With Governance*, and extant AU-C section 260, *The Auditor's Communication With Those Charged With Governance*

| A   | B   | C   | D   |
|---|---|---|---|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments                                  |
| Introduction  |   | Introduction  |   |
| Scope of this ISA   |   | Scope of This Section   |   |
| <p>1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this ISA applies irrespective of an entity's governance structure or size, particular considerations apply where all of those charged with governance are</p> | <p>1. This <u>proposed SAS</u> <del>International Standard on Auditing (ISA) deals</del> <u>addresses with</u> the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this <u>proposed SAS ISA</u> <del>applies</del> <u>regardless</u> <del>irrespective</del> of an entity's governance structure or size, particular</p> | <p><del>011</del> This <u>proposed SAS section</u> <del>addresses</del> the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this <u>proposed SAS section</u> applies regardless of an entity's governance structure or size, particular considerations apply when all of those charged with governance are</p> | <p>Column B - Clarity wording changes</p> |

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| involved in managing an entity, and for listed entities. This ISA does not establish requirements regarding the auditor’s communication with an entity’s management or owners unless they are also charged with a governance role.   | considerations apply when <del>re</del> all of those charged with governance are involved in managing an entity, <del>and for listed entities</del> . This <u>proposed SAS ISA</u> does not establish requirements regarding the auditor’s communication with an entity’s management or owners unless they are also charged with a governance role.  | involved in managing an entity. This <u>proposed SAS section</u> does not establish requirements regarding the auditor’s communication with an entity’s management or owners unless they are also charged with a governance role.   |   |
| 2. This ISA is written in the context of an audit of financial statements, but may also be applicable, adapted as necessary in the circumstances, to audits of other historical financial information when those charged with governance have a responsibility to oversee the preparation of the other historical financial information. | 2. This <u>proposed SAS ISA</u> —is written in the context of an audit of financial statements; but may also be applic <del>ed</del> <u>eable</u> , adapted as necessary in the circumstances, to audits of other historical financial information when those charged with governance have a responsibility to oversee the preparation <u>and fair presentation</u> of the other historical financial information. | <del>022</del> . This <u>proposed SAS section</u> —is written in the context of an audit of financial statements but may also be applied, adapted as necessary in the circumstances, to audits of other historical financial information when those charged with governance have a responsibility to oversee the preparation and fair presentation of the other historical financial information. | B - Use of “applied” instead of “applicable” from clarity changes<br><br>B - Clarity changes  |
| 3. Recognizing the importance of effective two-way communication in an audit of financial statements, this ISA provides an overarching framework for the auditor’s communication with those charged with governance, and identifies  | 3. Recognizing the importance of effective two-way communication in an audit of financial statements, this <u>proposed SAS ISA</u> —provides an overarching framework for the auditor’s communication with those   | <del>033</del> . Recognizing the importance of effective two-way communication in an audit of financial statements, this <u>proposed SAS section</u> —provides an overarching framework for the auditor’s communication with those charged with   | B - As part of clarity changes: the example does not apply in the U.S. therefore the language “additional requirements applicable to the engagement” was changed. |

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| <p>some specific matters to be communicated with them. Additional matters to be communicated, which complement the requirements of this ISA, are identified in other ISAs (see Appendix 1). In addition, ISA 265<sup>1</sup> establishes specific requirements regarding the communication of significant deficiencies in internal control the auditor has identified during the audit to those charged with governance. Further matters, not required by this or other ISAs, may be required to be communicated by law or regulation, by agreement with the entity, or by additional requirements applicable to the engagement, for example, the standards of a national professional accountancy body. Nothing in this ISA precludes the auditor from communicating any other matters to those charged with governance. (Ref: Para. A33–A36)</p> | <p>charged with governance, and identifies some specific matters to be communicated <del>with them</del>. Additional matters to be communicated, <del>which complement the requirements of this ISA,</del> are identified in other <del>SASs ISAs</del> (see <del>exhibit, "Requirements to Communicate With Those Charged With Governance in Other AU-C Sections"Appendix 1</del>). In addition, <del>AU-C section ISA-265,</del><sup>2</sup><del>Communicating Internal Control Related Matters Identified in an Audit,</del> establishes specific requirements regarding the communication of significant deficiencies <del>and material weaknesses</del> in internal control the auditor has identified during the audit to those charged with governance. Further matters, not required by <del>generally accepted auditing standards (GAAS)</del>this or other ISAs, may be required to be communicated by <del>law or regulation, by</del> agreement with <del>the</del></p> | <p>governance, and identifies some specific matters to be communicated. Additional matters to be communicated are identified in other AU-C sections (see the exhibit, "Requirements to Communicate With Those Charged With Governance in Other AU-C Sections"). In addition, <del>AU-C</del> section 265, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, establishes specific requirements regarding the communication of significant deficiencies and material weaknesses in internal control the auditor has identified during the audit to those charged with governance. Further matters not required by generally accepted auditing standards (GAAS) may be required to be communicated by <del>law or regulation, by</del> agreement with those charged with governance or management or in accordance with external requirements. Nothing in this section precludes the auditor from</p> |          |

<sup>1</sup> ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

<sup>2</sup> ~~ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*~~

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|  | <p><del>entity, or by additional requirements applicable to the engagement, for example, the standards of a national professional accountancy body. those charged with governance or management or in accordance with external requirements.</del> Nothing in this proposed SAS ISA precludes the auditor from communicating any other matters to those charged with governance. (Ref: Para. A33-A36)</p> | <p>communicating any other matters to those charged with governance.</p> |   |
| <b>The Role of Communication</b>   | <b>The Role of Communication</b>  |  |   |
| <p>4. This ISA focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting:</p> | <p><del>4. This ISA focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting:</del></p>   |  | <p>B - Clarity included these paragraphs as application material (paragraphs A1-A5)</p> |

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| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260) | Comments |
| <p>(a) The auditor and those charged with governance in understanding matters related to the audit in context, and in developing a constructive working relationship. This relationship is developed while maintaining the auditor's independence and objectivity;</p>   | <p><del>(a) The auditor and those charged with governance in understanding matters related to the audit in context, and in developing a constructive working relationship. This relationship is developed while maintaining the auditor's independence and objectivity;</del></p>   |  |          |
| <p>(b) The auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events; and</p> | <p><del>(b) The auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events; and</del></p> |  |          |

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| <p>(c) Those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.</p>  | <p><del>(c) Those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.</del></p>  |  |          |
| <p>5. Although the auditor is responsible for communicating matters required by this ISA, management also has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of this responsibility. Similarly, communication by management with those charged with governance of matters that the auditor is required to communicate does not relieve the auditor of the responsibility to also communicate them. Communication of these matters by management may, however, affect the form or timing of the auditor's communication with those charged with governance.</p> | <p><del>5. Although the auditor is responsible for communicating matters required by this ISA, management also has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of this responsibility. Similarly, communication by management with those charged with governance of matters that the auditor is required to communicate does not relieve the auditor of the responsibility to also communicate them. Communication of these matters by management may, however, affect the form or timing of the auditor's communication with those charged with governance.</del></p> |  |          |

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| <p>6. Clear communication of specific matters required to be communicated by ISAs is an integral part of every audit. ISAs do not, however, require the auditor to perform procedures specifically to identify any other matters to communicate with those charged with governance.</p>  | <p><del>6. Clear communication of specific matters required to be communicated by ISAs is an integral part of every audit. ISAs do not, however, require the auditor to perform procedures specifically to identify any other matters to communicate with those charged with governance.</del></p>  |  |          |
| <p>7. Law or regulation may restrict the auditor's communication of certain matters with those charged with governance. For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.</p> | <p><del>7. Law or regulation may restrict the auditor's communication of certain matters with those charged with governance. For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.</del></p> |  |          |

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| <b>Effective Date</b>   | <b>Effective Date</b>  | <b>Effective Date</b>   |          |
| 8. This ISA is effective for audits of financial statements for periods ending on or after December 15, 2016.   | 4. This ISA is effective for audits of financial statements for periods ending on or after December 15, 20 <del>XX</del> 16.   | <del>044</del> . This section is effective for audits of financial statements for periods ending on or after December 15, 2012.   |          |
| <b>Objectives</b>   | <b>Objectives</b>  | <b>Objectives</b>   |          |
| 9. The objectives of the auditor are:   | 5. The objectives of the auditor are <u>to</u> :   | <del>055</del> . The objectives of the auditor are to   |          |
| (a) To communicate clearly with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, and an overview of the planned scope and timing of the audit; | a. <del>To</del> communicate clearly with those charged with governance the responsibilities of the auditor <u>regarding in relation to</u> the financial statement audit, and an overview of the planned scope and timing of the audit; | a. communicate clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit. |          |
| (b) To obtain from those charged with governance information relevant to the audit;   | b. <del>To</del> obtain from those charged with governance information relevant to the audit;  | b. obtain from those charged with governance information relevant to the audit.   |          |

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| (c) To provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process; and | c. <del>To</del> provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process; and | c. provide those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process. |                 |
| (d) To promote effective two-way communication between the auditor and those charged with governance.  | d. <del>To</del> promote effective two-way communication between the auditor and those charged with governance. (Ref. par. A1–A5)  | d. promote effective two-way communication between the auditor and those charged with governance. (Ref: par. .A1–.A5)  |                 |
| <b>Definitions</b>   | <b>Definitions</b>   | <b>Definitions</b>   |                 |
| 10. For purposes of the ISAs, the following terms have the meanings attributed below:  | 6. For purposes of the <a href="#">GAASISAs</a> , the following terms have the meanings attributed <a href="#">as follows</a> <del>below</del> :   | <del>066</del> . For purposes of GAAS, the following terms have the meanings attributed as follows:  |                 |

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| <p>(a) Those charged with governance – The person(s) or organization(s) (e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager. For discussion of the diversity of governance structures, see paragraphs A1–A8.</p> | <p><b>Those charged with governance –</b><br/>The person(s) or organization(s) (for example, e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. <del>For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager. For discussion of the diversity of governance structures, see paragraphs A1–A8.</del></p> | <p><b>Those charged with governance.</b> The person(s) or organization(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel; for example, executive members of a governance board or an owner-manager.</p> | <p>Extant defines mgmt. first, the ISAs define TCWG first – not proposing to switch the order because GAAS does it alphabetical.</p> <p>B - Clarity note: example and reference to par A5-A8 deleted by ASB as not necessary. GAAS has no references to board of directors or audit committee that encompass all those charged with governance.</p> |

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| (b) Management – The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager. | <b>Management</b> – The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities <del>in</del> <i>some jurisdictions</i> , management includes some or all of those charged with governance; for example, executive members of a governance board, or an owner-manager. | <b>Management.</b> The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities, management includes some or all of those charged with governance; for example, executive members of a governance board or an owner-manager. |                 |
| <b>Requirements</b>  | <b>Requirements</b>  | <b>Requirements</b>   |                 |
| <b>Those Charged with Governance</b>   | <b>Those Charged with Governance</b>   | <b>Those Charged With Governance</b>  |                 |
| 11. The auditor shall determine the appropriate person(s) within the entity’s governance structure with whom to communicate. (Ref: Para. A1–A4)  | 7. The auditor <del>should</del> <i>shall</i> determine the appropriate person(s) within the entity’s governance structure with whom to communicate. (Ref: <del>par. Para. A1–A4</del> <i>A6–A9</i> )  | <del>077.</del> The auditor should determine the appropriate person(s) within the entity’s governance structure with whom to communicate. (Ref: par. .A6–.A9)   |                 |
| <i>Communication with a Subgroup of Those Charged with Governance</i>  | <i>Communication with <u>the Audit Committee or Other</u> <del>a</del> Subgroup of Those Charged with Governance</i>   | Communication With the Audit Committee or Other Subgroup of Those Charged With Governance   |                 |
| 12. If the auditor communicates with a subgroup of those charged with governance, for example, an audit  | 8. If the auditor communicates with a subgroup of those charged with governance, for example, an audit   | <del>088.</del> If the auditor communicates with a subgroup of those charged with governance, such as the audit   |                 |

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| committee, or an individual, the auditor shall determine whether the auditor also needs to communicate with the governing body. (Ref: Para. A5–A7)   | committee, or an individual, the auditor <del>should</del> <u>shall</u> determine whether the auditor also needs to communicate with the governing body. (Ref: <del>par. Para.</del> <u>par. A10–A12–A5–A7</u> )   | committee or an individual, the auditor should determine whether the auditor also needs to communicate with the governing body. (Ref: par. .A10–.A12)  |                             |
| <i>When All of Those Charged with Governance Are Involved in Managing the Entity</i>   | <i>When All of Those Charged with Governance Are Involved in Managing the Entity</i>   | <i>When All of Those Charged With Governance Are Involved in Managing the Entity</i>   |                             |
| 13. In some cases, all of those charged with governance are involved in managing the entity, for example, a small business where a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this ISA are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. These matters are noted in paragraph 16(c). The auditor shall nonetheless be satisfied that communication with person(s) with management | 9. In some cases, all of those charged with governance are involved in managing the entity, for example, a small business <del>in which where</del> a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this <del>ISA</del> <u>proposed SAS</u> are communicated with <del>a</del> <u>a</u> person(s) with management responsibilities, and <del>that these</del> <u>that these</u> person(s) also has <del>ve</del> <u>ve</u> governance responsibilities, the matters need not be communicated again with <del>the these</del> <u>the these</u> same person(s) in <del>that their</del> <u>that their</u> person's governance role. These matters are noted in paragraph 12 <del>16</del> <u>14</u> (c). The auditor <del>should</del> <u>shall</u> nonetheless, be satisfied that | <del>099</del> In some cases, all of those charged with governance are involved in managing the entity; for example, a small business in which a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this <u>proposed SAS</u> <del>section</del> are communicated with a person(s) with management responsibilities and that person(s) also has governance responsibilities, the matters need not be communicated again with the same person(s) in that person's governance role. These matters are noted in paragraph <del>12c</del> <u>14</u> . The auditor should, nonetheless, be satisfied that communication with person(s) with | B - Clarity wording changes |

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| responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity. (Ref: Para. A8)                       | communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity. ( <del>Ref: Para. A8</del> )   | management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity.   |   |
| <b>Matters to Be Communicated</b>  | <b>Matters to Be Communicated</b>  | <b>Matters to Be Communicated</b>   |   |
| <i>The Auditor's Responsibilities in Relation to the Financial Statement Audit</i>   | <i>The Auditor's Responsibilities <u>With Regard</u> <del>in Relation</del> to the Financial Statement Audit</i>   | <i>The Auditor's Responsibilities With Regard to the Financial Statement Audit</i>  | B - Clarity changed "in relation" to "with regard to" |
| 14. The auditor shall communicate with those charged with governance the responsibilities of the auditor in relation to the financial statement audit, including that: | 10. The auditor <del>should</del> <u>shall</u> communicate with those charged with governance the <u>auditor's</u> responsibilities <u>with regard to</u> <del>of the auditor in relation to</del> the financial statement audit, including that: ( <u>Ref. par. A13-A18</u> ) | <del>10</del> . The auditor should communicate with those charged with governance the auditor's responsibilities with regard to the financial statement audit, including that (Ref: par. .A13-.A1 <u>87</u> ) |   |

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| (a) The auditor is responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance; and | a. The auditor is responsible for forming and expressing an opinion <u>about whether</u> <del>on</del> the financial statements that have been prepared by management, with the oversight of those charged with governance, <u>are prepared, in all material respects, in accordance with the applicable financial reporting framework;</u> <del>and</del> | a. the auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework. | B - Clarity wording changes  |
| (b) The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. (Ref: Para. A9–A10)   | b. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities. ( <del>Ref: Para. A9–A10</del> )  | b. the audit of the financial statements does not relieve management or those charged with governance of their responsibilities.  |  |
| <i>Planned Scope and Timing of the Audit</i>  | <i>Planned Scope and Timing of the Audit</i>   | Planned Scope and Timing of the Audit   |  |
| 15. The auditor shall communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant               | 11. The auditor <del>should</del> shall communicate with those charged with governance an overview of the planned scope and timing of the audit, which includes communicating about the significant risks identified by the  | <del>111.</del> The auditor should communicate with those charged with governance an overview of the planned scope and timing of the audit, <u>which includes communicating about the</u>   | <b>C – requirement added to support the link to key audit matters in proposed AU-C 701</b> |

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| risks identified by the auditor. (Ref: Para. A11–A16)                                      | auditor. (Ref: <del>par. A19–A24</del> <del>Para. A11–A16</del> )   | <u>significant risks identified by the auditor.</u> (Ref: par. <del>A19</del> – <del>A24</del> )                               |                 |
| <i>Significant Findings from the Audit</i>   | <i>Significant Findings <u>or Issues</u> from the Audit</i>   | Significant Findings or Issues From the Audit  |                 |
| 16. The auditor shall communicate with those charged with governance: (Ref: Para. A17–A18) | 12. The auditor <u>should</u> <del>shall</del> communicate with those charged with governance: (Ref: <del>Para. A17–A18</del> <del>par. A25–A26</del> ) | <del>12.</del> The auditor should communicate with those charged with governance (Ref: par. <del>A25–A26</del> <del>23</del> ) |                 |

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| <p>(a) The auditor’s views about significant qualitative aspects of the entity’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures. When applicable, the auditor shall explain to those charged with governance why the auditor considers a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the particular circumstances of the entity; (Ref: Para. A19–A20)</p> | <p><del>a. (a)</del>—The auditor’s views about <del>significant</del> qualitative aspects of the entity’s <u>significant</u> accounting practices, including accounting policies, accounting estimates and financial statement disclosures. When applicable, the auditor <del>shall</del> <u>should</u> (Ref. par. A27–A29)</p> <p>i. explain to those charged with governance why the auditor considers a significant accounting practice, that is acceptable under the applicable financial reporting framework, not to be most appropriate to the particular circumstances of the entity; <del>and</del> (Ref. Para. A19–A20)</p> | <p>a. the auditor’s views about qualitative aspects of the entity’s significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures. When applicable, the auditor should (Ref: par. .A274–.A295)</p> <p>i. explain to those charged with governance why the auditor considers a significant accounting practice that is acceptable under the applicable financial reporting framework not to be most appropriate to the particular circumstances of the entity and</p> | <p>B - Clarity changes</p> |

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| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments   |
|   | <p>ii. <a href="#">determine that those charged with governance are informed about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.</a></p> | <p>ii. determine that those charged with governance are informed about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.</p> |  |
| <p>(b) Significant difficulties, if any, encountered during the audit; (Ref: Para. A21)</p>                         | <p>b. <del>(b)</del> Significant difficulties, if any, encountered during the audit; (Ref: <del>Para. A21</del>par. A30)</p>   | <p>b. significant difficulties, if any, encountered during the audit. (Ref: par. <del>A30</del>26)</p>   |  |
|   | <p>c. <a href="#">disagreements with management, if any. (Ref: par. A32.)</a></p>  | <p>c. disagreements with management, if any. (Ref: par. <del>A32</del>28)</p>  |  |
| <p>(d) Circumstances that affect the form and content of the auditor's report, if any; and (Ref: Para. A23–A25)</p> | <p>d. <del>(d)</del> Circumstances that affect the form and content of the auditor's report, if any; and (Ref: <del>Para. A23–A25</del>par. A38–A39)</p>   | <p><a href="#">d. circumstances that affect the form and content of the auditor's report, if any; and (Ref: par. A38-A39)</a></p>  | <p><b>C – added to include anytime form and content of the report will differ from unmodified report (this will also capture key audit matters).</b></p> |

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| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>  | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>                                       |
| (e) Any other significant matters arising during the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process. (Ref: Para. A26–A28) | e. <del>(e) Any other significant findings or issues, if any, matters arising during the audit that are, in the auditor's professional judgment, are significant and relevant to those charged with governance regarding their responsibility to the oversight of the financial reporting process.</del> (Ref: <del>Para. A26–A28</del> par_A31_A40–A41) | <del>ed.</del> other findings or issues, if any, arising <del>during from</del> the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process. (Ref: par. <del>A31, A40–A41</del> A27) |   |
|   | <u>Uncorrected Misstatements</u>   | <u>Uncorrected Misstatements</u>   |   |
| <i>ISA 450, par. 12. The auditor shall communicate with those charged with governance</i>   | 13. The auditor <del>should</del> <del>##</del> communicate with those charged with governance <del>(Ref. par. A33–A34)</del>  | <del>13.13</del> The auditor should communicate with those charged with governance (Ref: par. <del>A33–A34</del> A29–A30)  | B - Clarity changes - to include content from ISA 450 |

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| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments  |
| <p><i>uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion in the auditor's report, unless prohibited by law or regulation. The auditor's communication shall identify material uncorrected misstatements individually. The auditor shall request that uncorrected misstatements be corrected.</i></p> | <p>a. <i>uncorrected misstatements <u>accumulated by the auditor and the effect that they, individually or in the aggregate, may have on the opinion in the auditor's report, unless prohibited by law or regulation.</u> The auditor's communication should identify material uncorrected misstatements individually. The auditor should request that uncorrected misstatements be corrected.</i></p> | <p>a. uncorrected misstatements accumulated by the auditor and the effect that they, individually or in the aggregate, may have on the opinion in the auditor's report. The auditor's communication should identify material uncorrected misstatements individually. The auditor should request that uncorrected misstatements be corrected.</p> | <p>B - As part of clarity update – revised to clarify how misstatements that are material in the aggregate are identified individually.</p> |
| <p><i>ISA 450, par. 13. The auditor shall also communicate with those charged with governance the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.</i></p>   | <p>b. <i>the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.</i></p>   | <p>b. the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.</p>  |   |
|   | <p><u><i>When Not All of Those Charged With Governance Are Involved in Management</i></u></p>  | <p><i>When Not All of Those Charged With Governance Are Involved in Management</i></p>   |   |

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| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments |
| (c) Unless all of those charged with governance are involved in managing the entity:  | 14. <del>(c)</del> —Unless all of those charged with governance are involved in managing the entity, <u>the auditor also should communicate:</u>  | <del>14.14.</del> Unless all of those charged with governance are involved in managing the entity, the auditor also should communicate   |          |
|   | a. <u>material, corrected misstatements that were brought to the attention of management as a result of audit procedures. (Ref: par. A35)</u>   | a. material, corrected misstatements that were brought to the attention of management as a result of audit procedures. (Ref: par. <del>A35</del> )   |          |
| (i) Significant matters arising during the audit that were discussed, or subject to correspondence, with management; and (Ref: Para. A22) | b. <del>(i)</del> —Significant <u>findings or issues</u> arising during the audit that were discussed, or subject to correspondence, with management; and (Ref: <del>Para. A22</del> <u>par. A36</u> )                              | b. significant findings or issues, <del>if any</del> , arising <u>during</u> <del>from</del> the audit that were discussed, or the subject of correspondence, with management. (Ref: par. <del>A36</del> )                   |          |
|   | c. <u>the auditor's views about significant matters that were the subject of management's consultations with other accountants on accounting or auditing matters when the auditor is aware that such consultation has occurred.</u> | c. the auditor's views about significant matters that were the subject of management's consultations with other accountants on accounting or auditing matters when the auditor is aware that such consultation has occurred. |          |

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| <b>ISA 260 (Revised)</b>   | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>                             | <b>Comments</b>  |
| (ii) Written representations the auditor is requesting;  | d. <del>(ii)</del> —Written representations the auditor is requesting. <del>(Ref. par. A37)</del> <u>(Ref. par. A37)</u>  | d. written representations the auditor is requesting. (Ref. par. <del>A37</del> ) |  |
| <i>Auditor Independence</i>  | <i>Auditor Independence</i>   |   |  |
| 17. In the case of listed entities, the auditor shall communicate with those charged with governance:  | <del>17. In the case of listed entities, the auditor shall communicate with those charged with governance:</del>  |   | B - Relates to listed entities only – not included in proposed SAS |
| (a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and  | <del>(a) A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence; and</del>  |   |  |
| (i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor’s professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for | <del>(i) All relationships and other matters between the firm, network firms, and the entity that, in the auditor’s professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm</del> |   |  |

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| audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and | <del>and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and</del> |  |          |
| (ii) The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. (Ref: Para. A29–A32)  | <del>(ii) The related safeguards that have been applied to eliminate identified threats to independence or reduce them to an acceptable level. (Ref: Para. A29–A32)</del>  |  |          |
| The Communication Process   | The Communication Process  | The Communication Process  |          |
| <i>Establishing the Communication Process</i>   | <i>Establishing the Communication Process</i>  | Establishing the Communication Process   |          |
| 18. The auditor shall communicate with those charged with governance the form, timing and expected general content of communications. (Ref: Para. A37–A45)  | 15. <del>18.</del> —The auditor <del>should</del> <u>shall</u> communicate with those charged with governance the form, timing and expected general content of   | <del>15.</del> The auditor should communicate with those charged with governance the form, timing, and expected general content of |          |

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| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>   | <b>Comments</b>             |
|   | communications. (Ref: <del>Para. A37-A45</del> <u>Ref. par. A42-A44</u> )   | communications. (Ref: par. <del>A42-A44</del> <u>A34-A38</u> )  |                             |
| <i>Forms of Communication</i>   | <i>Forms of Communication</i>   | <b>Forms of Communication</b>   |                             |
| 19. The auditor shall communicate in writing with those charged with governance regarding significant findings from the audit if, in the auditor’s professional judgment, oral communication would not be adequate. Written communications need not include all matters that arose during the course of the audit. (Ref: Para. A46–A48) | 16. <del>19.</del> The auditor <del>should</del> <u>shall</u> communicate in writing with those charged with governance <del>regarding</del> significant findings <u>or issues</u> from the audit <u>(see paragraphs .12-.14)</u> if, in the auditor’s professional judgment, oral communication would not be adequate. <del>This Written</del> communications need not include <del>all</del> matters that arose during the course of the audit <u>that were communicated with those charged with governance and satisfactorily resolved.</u> (Ref: <del>Para. A46–A48</del> <u>par. A47–A49</u> ) | <del>16</del> 16. The auditor should communicate in writing with those charged with governance significant findings or issues from the audit (see paragraphs .12–.14) if, in the auditor’s professional judgment, oral communication would not be adequate. This communication need not include matters that arose during the course of the audit that were communicated with those charged with governance and satisfactorily resolved. (Ref: par. <del>A47-A49</del> <u>A39–A41</u> ) | B - Clarity wording changes |
|   | <u>Restricted Use</u>   | Restricted Use  |                             |
|   | 17. <u>When the auditor communicates matters in accordance with this section in writing, the communication is considered a by-</u>  | <del>17</del> 17. When the auditor communicates matters in accordance with this section in writing, the communication is  |                             |

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|  | <p><u>product report.</u> <sup>fn 1</sup> <u>Accordingly, the auditor should indicate in the communication that it is intended solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.</u></p> | <p>considered a by-product report. <sup>fn 1</sup> Accordingly, the auditor should indicate in the communication that it is intended solely for the information and use of those charged with governance and, if appropriate, management, and is not intended to be, and should not be, used by anyone other than these specified parties.</p> |   |
| <p>20. The auditor shall communicate in writing with those charged with governance regarding auditor independence when required by paragraph 17.</p> | <p><del>20. The auditor shall communicate in writing with those charged with governance regarding auditor independence when required by paragraph 17.</del></p>  |  | <p>B - Relates to listed entities only – not included in proposed SAS</p> |
| <p><i>Timing of Communications</i></p>   | <p><i>Timing of Communications</i></p>   | <p>Timing of Communications</p>  |   |

<sup>fn 1</sup> Paragraphs .06c and .07 of section 905, Alert That Restricts the Use of the Auditor's Written Communication.

<sup>fn 1</sup> Paragraphs .06c and .07 of section 905, *Alert That Restricts the Use of the Auditor's Written Communication*. [Footnote amended, effective for the auditor's written communications related to audits of financial statements for periods ending on or after December 15, 2012, by SAS No. 125.]

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| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments |
| 21. The auditor shall communicate with those charged with governance on a timely basis. (Ref: Para. A49–A50)  | 18. <del>21.</del> —The auditor <del>should</del> <del>shall</del> communicate with those charged with governance on a timely basis. (Ref: <del>Para. A49–A50</del> <del>par. A50–A51</del> )   | <del>18</del> 18. The auditor should communicate with those charged with governance on a timely basis. (Ref: par. <del>A50–A51–A42–A43</del> )   |          |
| <i>Adequacy of the Communication Process</i>  | <i>Adequacy of the Communication Process</i>  | <b>Adequacy of the Communication Process</b>   |          |
| 22. The auditor shall evaluate whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. If it has not, the auditor shall evaluate the effect, if any, on the auditor’s assessment of the risks of material misstatement and ability to obtain sufficient appropriate audit evidence, and shall take appropriate action. (Ref: Para. A51–A53) | 19. <del>22.</del> —The auditor <del>should</del> <del>shall</del> evaluate whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. If it has not, the auditor <del>should</del> <del>shall</del> evaluate the effect, if any, on the auditor’s assessment of the risks of material misstatement and ability to obtain sufficient appropriate audit evidence; and <del>should</del> <del>shall</del> take appropriate action. (Ref: <del>Para. A51–A53</del> <del>par A52–A54</del> ) | <del>19</del> 19. The auditor should evaluate whether the two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. If it has not, the auditor should evaluate the effect, if any, on the auditor’s assessment of the risks of material misstatement and ability to obtain sufficient appropriate audit evidence and should take appropriate action. (Ref: par. <del>A52–A54–A44–A46</del> ) |          |
| <b>Documentation</b>  | <b>Documentation</b>  | <b>Documentation</b>   |          |
| 23. Where matters required by this ISA to be communicated are communicated orally, the auditor shall include them in  | 20. <del>23.</del> —When <del>ne</del> matters required by <del>this ISA</del> to be communicated <del>by this proposed SAS</del> have been <del>are</del>  | <del>20</del> 20 When matters required to be communicated by this section have been communicated orally, the auditor   |          |

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| the audit documentation, and when and to whom they were communicated. Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation. <sup>3</sup> (Ref: Para. A54) | communicated orally, the auditor <del>should</del> <u>shall</u> include them in the audit documentation, <del>including and</del> —when and to whom they were communicated. <sup>4</sup> When <del>the</del> <u>if</u> matters have been communicated in writing, the auditor <del>should</del> <u>shall</u> retain a copy of the communication as part of the audit documentation. <sup>5</sup> (Ref: <del>Para. A54</del> <u>par. A55</u> ) | should include them in the audit documentation, including when and to whom they were communicated. <sup>fn 2</sup> When matters have been communicated in writing, the auditor should retain a copy of the communication as part of the audit documentation. (Ref: par. <del>A54</del> <u>47</u> ) |                 |
| ***   | ***   |  |                 |
| <b>Application and Other Explanatory Material</b>   | <b>Application and Other Explanatory Material</b>   | Application and Other Explanatory Material   |                 |
|   |   | <b>Objectives</b>  |                 |
|   | <u><i>The Role of Communication (Ref. par. 5)</i></u>   | <i>The Role of Communcation (Ref. par. .05)</i>  |                 |

<sup>3</sup> ISA 230, *Audit Documentation*, paragraphs 8–11, and A6

<sup>4</sup> Paragraphs .08-.12 and .A8 of AU-C section 230, *Audit Documentation*.

<sup>5</sup> ISA 230, *Audit Documentation*, paragraphs 8–11, and A6

<sup>fn 2</sup> Paragraphs .08–.12 and .A8 of section 230, *Audit Documentation*.

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| 4. This ISA focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting:   | A1. <del>4.</del> —This <u>proposed SAS ISA</u> focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting:   | <del>A1</del> This <u>proposed SAS section</u> focuses primarily on communications from the auditor to those charged with governance. Nevertheless, effective two-way communication is important in assisting  | A - ISA 260.04 - included as application material as part of clarity |
| (a) The auditor and those charged with governance in understanding matters related to the audit in context, and in developing a constructive working relationship. This relationship is developed while maintaining the auditor’s independence and objectivity;   | <ul style="list-style-type: none"> <li><del>(a)</del> The auditor and those charged with governance in understanding matters related to the audit in context; and in developing a constructive working relationship. This relationship is developed while maintaining the auditor’s independence and objectivity;</li> </ul>  | <ul style="list-style-type: none"> <li>the auditor and those charged with governance in understanding matters related to the audit in context and in developing a constructive working relationship. This relationship is developed while maintaining the auditor’s independence and objectivity.</li> </ul>                     | Moved from ISA 260.04(a)   |
| (b) The auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events; and | (b) <del>The</del> auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in providing information about specific transactions or events; <del>and</del> | <ul style="list-style-type: none"> <li>the auditor in obtaining from those charged with governance information relevant to the audit. For example, those charged with governance may assist the auditor in understanding the entity and its environment, in identifying appropriate sources of audit evidence, and in</li> </ul> | Moved from ISA 260.04(b)   |

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|  |   | providing information about specific transactions or events.  |  |
| (c) Those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.  | (c) <del>T</del> those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.  | <ul style="list-style-type: none"> <li>those charged with governance in fulfilling their responsibility to oversee the financial reporting process, thereby reducing the risks of material misstatement of the financial statements.</li> </ul>   | Moved from ISA 260.04(c)                             |
| 5. Although the auditor is responsible for communicating matters required by this ISA, management also has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of this responsibility. Similarly, communication by management with those charged with governance of matters that the auditor is required to communicate does not relieve the auditor of the responsibility to also communicate them. Communication of these matters by management may, however, affect the form or timing of the auditor's communication with those charged with governance. | A2. <del>5.</del> —Although the auditor is responsible for communicating <u>specific matters in accordance with this proposed SAS</u> required by this ISA, management also has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of this responsibility. Similarly, <u>management's communication of these matters to</u> <del>by management with</del> those charged with governance <del>of matters that the auditor is required to communicate</del> does not relieve the auditor of the responsibility to also communicate them. <u>However,</u> <del>c</del> Communication of these matters by management may, <del>however,</del> affect the | <del>A2.</del> Although the auditor is responsible for communicating specific matters in accordance with this section, management also has a responsibility to communicate matters of governance interest to those charged with governance. Communication by the auditor does not relieve management of this responsibility. Similarly, management's communication of these matters to those charged with governance does not relieve the auditor of the responsibility to also communicate them. However, communication of these matters by management may affect the form or timing of the auditor's communication. | Moved from ISA 260.05<br>B - Clarity wording changes |

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|   | form or timing of the auditor’s communication <del>with those charged with governance.</del><br><u>governance.</u>  |   |                       |
| 6. Clear communication of specific matters required to be communicated by ISAs is an integral part of every audit. ISAs do not, however, require the auditor to perform procedures specifically to identify any other matters to communicate with those charged with governance.  | A3. <del>6.</del> —Clear communication of specific matters required to be communicated by <del>GAAS/ISAs</del> is an integral part of every audit. <del>However, GAAS, ISAs</del> do not, <del>however,</del> require the auditor to perform procedures specifically to identify <del>any</del> other <u>significant</u> matters to communicate with those charged with governance.       | <del>A3.</del> Clear communication of specific matters required to be communicated by GAAS is an integral part of every audit. However, GAAS do not require the auditor to perform procedures specifically to identify other significant matters to communicate with those charged with governance.   | Moved from ISA 260.06 |
|   | <u><i>Legal or Regulatory Restrictions on Communicating With Those Charged With Governance (Ref: par. 5)</i></u>  | <i>Legal or Regulatory Restrictions on Communicating With Those Charged With Governance (Ref: par. <del>5</del>)</i>  |                       |
| 7. Law or regulation may restrict the auditor’s communication of certain matters with those charged with governance. For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts | A4. <del>7.</del> —Law or regulation may restrict the auditor’s communication of certain matters with those charged with governance. For example, laws or regulations may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts | <del>A4.</del> Law or regulation may restrict the auditor’s communication of certain matters with those charged with governance. For example, law or regulation may specifically prohibit a communication or other action that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act. In some circumstances, potential conflicts | Moved from ISA 260.07 |

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| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>  |
| between the auditor’s obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.   | between the auditor’s obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.   | between the auditor's obligations of confidentiality and obligations to communicate may be complex. In such cases, the auditor may consider obtaining legal advice.  |                  |
| <p>A44. In some jurisdictions the auditor may be required by law or regulation to, for example:</p> <ul style="list-style-type: none"> <li>• <u>Notify</u> a regulatory or enforcement body of certain matters communicated with those charged with governance. For example, in some countries the auditor has a duty to report misstatements to authorities where management and those charged with governance fail to take corrective action;</li> <li>• Submit copies of certain reports prepared for those charged with governance to relevant regulatory or funding bodies, or other bodies such as a central authority in the case of some</li> </ul> | <p>A5. <del>A44.</del> In <u>certain circumstances, some jurisdictions</u> the auditor may be required <del>to by report to law or regulation to, for example:</del><br/> <u>Notify</u> a regulatory or enforcement body <del>of</del> certain matters <u>that have been</u> communicated with those charged with governance. For example, <u>Government Auditing Standards requires auditors to report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to such parties in certain circumstances.</u><del>in some countries the auditor has a duty to report misstatements to authorities where management and those charged with governance fail to take corrective action;</del></p> | <p><del>A5.</del> In certain circumstances, the auditor may be required to report to a regulatory or enforcement body certain matters that have been communicated with those charged with governance. For example, <i>Government Auditing Standards</i> requires auditors to report fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse directly to such parties in certain circumstances.</p> | From ISA 260.A44 |

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|---|--|---|-----------------------------|
| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>  | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>   | <b>Comments</b>             |
| <ul style="list-style-type: none"> <li>Make reports prepared for those charged with governance publicly available.</li> </ul>   |  |   |                             |
| Those Charged with Governance (Ref: Para. 11)   | Those Charged with Governance (Ref: <del>Para. 11</del> par. 7)  | Those Charged With Governance (Ref: par. <del>07</del> )  |                             |
| A1. Governance structures vary by jurisdiction and by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics. For example:  | A6. <del>A1.</del> Governance structures vary by <del>jurisdiction and by</del> entity, reflecting influences such as <del>different cultural and legal backgrounds, and</del> size and ownership characteristics. For example:  | <del>A6.</del> Governance structures vary by entity, reflecting influences such as size and ownership characteristics. For example:                                       | B - Clarity wording changes |
| <ul style="list-style-type: none"> <li>In some jurisdictions, a supervisory (wholly or mainly non-executive) board exists that is legally separate from an executive (management) board (a “two-tier board” structure). In other jurisdictions, both the supervisory and executive functions are the legal responsibility of a single, or unitary, board (a “one-tier board” structure).</li> </ul> | <del>In some jurisdictions, a supervisory (wholly or mainly non-executive) board exists that is legally separate from an executive (management) board (a “two-tier board” structure). In other jurisdictions, both the supervisory and executive functions are the legal responsibility of a single, or unitary, board (a “one tier board” structure).</del> |   |                             |
| <ul style="list-style-type: none"> <li>In some entities, those charged with governance hold positions that are an integral part of the entity’s legal structure, for example, company</li> </ul>  | <ul style="list-style-type: none"> <li>In some entities, those charged with governance hold positions (for example, company directors) that are <del>an</del> integral part<u>s</u> of the entity’s</li> </ul>   | <ul style="list-style-type: none"> <li>In some entities, those charged with governance hold positions (for example, company directors) that are integral parts</li> </ul> |                             |

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| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments                       |
| <p>directors. In others, for example, some government entities, a body that is not part of the entity is charged with governance.</p>  | <p>legal structure. <del>For other entities example, company directors. In others, for example, some government entities,</del> a body that is not part of the entity is charged with governance, <u>as with some government agencies.</u></p>   | <p>of the entity's legal structure. For other entities, a body that is not part of the entity is charged with governance, as with some government agencies.</p>  |                                |
| <ul style="list-style-type: none"> <li>In some cases, some or all of those charged with governance are involved in managing the entity. In others, those charged with governance and management comprise different persons.</li> </ul> | <ul style="list-style-type: none"> <li>In some cases, some or all of those charged with governance <u>are involved in managing the entity also have management responsibilities.</u> In others, those charged with governance and management <u>are</u> comprise different <u>people</u> persons.</li> </ul> | <ul style="list-style-type: none"> <li>In some cases, some or all of those charged with governance also have management responsibilities. In others, those charged with governance and management are different people.</li> </ul> |                                |
| <ul style="list-style-type: none"> <li>In some cases, those charged with governance are responsible for approving<sup>6</sup> the entity's financial statements (in other cases management has this responsibility).</li> </ul>        | <p><del>In some cases, those charged with governance are responsible for approving<sup>7</sup> the entity's financial statements (in other cases management has this responsibility).</del></p>  |  | B - Removed as part of clarity |

<sup>6</sup> As described in paragraph A63 of ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, having responsibility for approving in this context means having the authority to conclude that all the statements that comprise the financial statements, including the related notes, have been prepared.

<sup>7</sup> ~~As described in paragraph A63 of ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, having responsibility for approving in this context means having the authority to conclude that all the statements that comprise the financial statements, including the related notes, have been prepared.~~

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|---|--|--|--|
| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>  | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>  |
|   | <ul style="list-style-type: none"> <li><a href="#">Parties charged with governance of governmental entities may include members or staff of a legislative oversight committee, oversight bodies, or other parties contracting for the audit.</a></li> </ul>  | <ul style="list-style-type: none"> <li>Parties charged with governance of governmental entities may include members or staff of a legislative oversight committee, oversight bodies, or other parties contracting for the audit.</li> </ul>  | B - Clarity added for governmental entities                        |
| A2. In most entities, governance is the collective responsibility of a governing body, such as a board of directors, a supervisory board, partners, proprietors, a committee of management, a council of governors, trustees, or equivalent persons. In some smaller entities, however, one person may be charged with governance, for example, the owner-manager where there are no other owners, or a sole trustee. When governance is a collective responsibility, a subgroup such as an audit committee or even an individual, may be charged with specific tasks to assist the governing body in meeting its responsibilities. Alternatively, a subgroup or individual may have specific, legally identified | A7. <del>A2.</del> —In most entities, governance is the collective responsibility of a governing body, such as a board of directors, a supervisory board, partners, proprietors, a committee of management, <del>a council of governors,</del> —trustees, or equivalent persons. In some smaller entities, however, one person may be charged with governance, <del>such as for example,</del> the owner-manager when <del>ne</del> there are no other owners, or a sole trustee. When governance is a collective responsibility, a subgroup such as an audit committee or even an individual, may be charged with specific tasks to assist the governing body in meeting its responsibilities. <del>Alternatively, a subgroup or individual may have specific, legally identified</del> | <del>A7.</del> In most entities, governance is the collective responsibility of a governing body, such as a board of directors; a supervisory board; partners; proprietors; a committee of management; trustees; or equivalent persons. In some smaller entities, however, one person may be charged with governance, such as the owner-manager, when there are no other owners, or a sole trustee. When governance is a collective responsibility, a subgroup, such as an audit committee or even an individual, may be charged with specific tasks to assist the governing body in meeting its responsibilities. | B - Per clarity – last sentence in ISA is not applicable in the US |

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|---|---|---|-----------------------------|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments                    |
| responsibilities that differ from those of the governing body.  | <del>responsibilities that differ from those of the governing body.</del>   |   |                             |
| A3. Such diversity means that it is not possible for this ISA to specify for all audits the person(s) with whom the auditor is to communicate particular matters. Also, in some cases, the appropriate person(s) with whom to communicate may not be clearly identifiable from the applicable legal framework or other engagement circumstances, for example, entities where the governance structure is not formally defined, such as some family-owned entities, some not-for-profit organizations, and some government entities. In such cases, the auditor may need to discuss and agree with the engaging party the relevant person(s) with whom to communicate. In deciding with whom to communicate, the auditor's understanding of an entity's governance structure and processes obtained in accordance with ISA 315 | <b>A8.</b> <del>A3.</del> —Such diversity means that it is not possible for this <del>proposed SAS</del> ISA to specify for all audits the person(s) with whom the auditor is to communicate particular matters. Also, in some cases, the appropriate person(s) with whom to communicate may not be clearly identifiable from the <del>applicable legal framework or other</del> engagement circumstances. <del>An, for example of this is, —</del> entities <del>in which</del> where the governance structures <del>are</del> — <del>is</del> — not formally defined, such as some family-owned entities, some not-for-profit organizations, and some government entities. <del>In such cases, the auditor may need to discuss and agree with the engaging party the relevant person(s) with whom to communicate.</del> <u>When the appropriate person(s) with whom to communicate is not clearly identifiable, the auditor and the engaging party may need to discuss and agree on the relevant person(s) within the entity's governance</u> | <del>A8.</del> Such diversity means that it is not possible for this section to specify for all audits the person(s) with whom the auditor is to communicate particular matters. Also, in some cases, the appropriate person(s) with whom to communicate may not be clearly identifiable from the engagement circumstances. An example of this is entities in which the governance structures are not formally defined, such as some family-owned entities, some not-for-profit organizations, and some government entities. When the appropriate person(s) with whom to communicate is not clearly identifiable, the auditor and the engaging party may need to discuss and agree on the relevant person(s) within the entity's governance structure with whom the auditor will communicate. In deciding with whom to communicate, the auditor's understanding of an entity's governance structure and processes | B - Clarity wording changes |

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| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments                               |
| (Revised) <sup>8</sup> is relevant. The appropriate person(s) with whom to communicate may vary depending on the matter to be communicated.  | <a href="#"><u>structure with whom the auditor will communicate.</u></a> In deciding with whom to communicate, the auditor’s understanding of an entity’s governance structure and processes obtained in accordance with <a href="#"><u>AU-C section ISA-315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, (Revised)</u></a> <sup>9</sup> is relevant. The appropriate person(s) with whom to communicate may vary depending on the matter to be communicated. | obtained in accordance with section 315, <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i> , is relevant. The appropriate person(s) with whom to communicate may vary depending on the matter to be communicated. |  |
| A4. ISA 600 includes specific matters to be communicated by group auditors with those charged with governance. <sup>10</sup> When the entity is a component of a group, the appropriate person(s) with whom the component auditor communicates depends on the engagement circumstances and the | A9. <del>A4.</del> <a href="#"><u>AU-C section ISA-600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).</u></a> includes specific matters to be communicated by group auditors with  | <del>A9.</del> Section 600, <i>Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)</i> , includes specific matters to be communicated by group auditors with those charged with                                   | B - Column B - Clarity wording changes |

<sup>8</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

<sup>9</sup> ~~ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*~~

<sup>10</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 49

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| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments |
| <p>matter to be communicated. In some cases, a number of components may be conducting the same businesses within the same system of internal control and using the same accounting practices. Where those charged with governance of those components are the same (e.g., common board of directors), duplication may be avoided by dealing with these components concurrently for the purpose of communication.</p> | <p>those charged with governance.<sup>11</sup> When the entity <u>being audited</u> is a component of a group, the appropriate person(s) with whom <u>to communicate is dependent on the nature of the component—auditor—communicates depends on the engagement circumstances and the matter to be communicated and the terms of the engagement.</u> <del>In some cases, a number of components may be conducting the same businesses within the same system of internal control and using the same accounting practices. Where those charged with governance of those components are the same (e.g., common board of directors), duplication may be avoided by dealing with these components concurrently for the purpose of communication.</del></p> | <p>governance.<sup>fn 3</sup> When the entity being audited is a component of a group, the appropriate person(s) with whom to communicate is dependent on the nature of the matter to be communicated and the terms of the engagement.</p> |          |

<sup>11</sup> [Paragraphs .45–.48 of AU-C section 600, \*Special Considerations—Audits of Group Financial Statements \(Including the Work of Component Auditors\)\*, ISA-600, \*Special Considerations—Audits of Group Financial Statements \(Including the Work of Component Auditors\)\*, paragraph 49](#)

<sup>fn 3</sup> Paragraphs .45–.48 of section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

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|---|---|---|------------------------------|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments                     |
| <i>Communication with a Subgroup of Those Charged with Governance</i> (Ref: Para. 12)   | <i>Communication with <u>the Audit Committee or Other</u> <del>Subgroup</del> of Those Charged with Governance</i> (Ref: <del>Para. 12</del> <u>par. 8</u> )  | Communication With the Audit Committee or Other Subgroup of Those Charged With Governance (Ref: par. <del>12</del> <u>8</u> )   |                              |
| A5. When considering communicating with a subgroup of those charged with governance, the auditor may take into account such matters as:   | A10. <del>A5.</del> —When considering communicating with a subgroup of those charged with governance, the auditor may take into account <del>such</del> matters <u>such</u> as:   | <del>A10.</del> When considering communicating with a subgroup of those charged with governance, the auditor may take into account matters such as  |                              |
| <ul style="list-style-type: none"> <li>The respective responsibilities of the subgroup and the governing body.</li> </ul>   | <ul style="list-style-type: none"> <li>The respective responsibilities of the subgroup and the governing body.</li> </ul>   | <ul style="list-style-type: none"> <li>the respective responsibilities of the subgroup and the governing body.</li> </ul>   |                              |
| <ul style="list-style-type: none"> <li>The nature of the matter to be communicated.</li> </ul>  | <ul style="list-style-type: none"> <li>The nature of the matter to be communicated.</li> </ul>  | <ul style="list-style-type: none"> <li>the nature of the matter to be communicated.</li> </ul>  |                              |
| <ul style="list-style-type: none"> <li>Relevant legal or regulatory requirements.</li> </ul>  | <ul style="list-style-type: none"> <li>Relevant legal or regulatory requirements.</li> </ul>  | <ul style="list-style-type: none"> <li>relevant legal or regulatory requirements.</li> </ul>  |                              |
| <ul style="list-style-type: none"> <li>Whether the subgroup has the authority to take action in relation to the information communicated, and can provide further information and explanations the auditor may need.</li> </ul> | <ul style="list-style-type: none"> <li>Whether the subgroup <u>(a)</u> has the authority to take action <u>regarding</u> <del>in relation to</del> the information communicated, and <u>(b)</u> can provide further information and explanations the auditor may need.</li> </ul> | <ul style="list-style-type: none"> <li>whether the subgroup <i>(a)</i> has the authority to take action regarding the information communicated and <i>(b)</i> can provide further information and explanations the auditor may need.</li> </ul> |                              |
|   | <ul style="list-style-type: none"> <li><u>whether the auditor is aware of potential conflicts of interest</u></li> </ul>  | <ul style="list-style-type: none"> <li>whether the auditor is aware of potential conflicts of interest</li> </ul>   | B - Added as part of clarity |

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| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>  | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>   | <b>Comments</b>             |
|   | <a href="#">between the subgroup and other members of the governing body.</a>  | between the subgroup and other members of the governing body.   |                             |
| A6. When deciding whether there is also a need to communicate information, in full or in summary form, with the governing body, the auditor may be influenced by the auditor’s assessment of how effectively and appropriately the subgroup communicates relevant information with the governing body. The auditor may make explicit in agreeing the terms of engagement that, unless prohibited by law or regulation, the auditor retains the right to communicate directly with the governing body. | <b>A11.</b> <del>A6.</del> —When deciding whether there is also a need to communicate information, in full or in summary form, with the governing body, the auditor may be influenced by the auditor’s assessment of how effectively and appropriately the subgroup communicates relevant information with the governing body. The auditor may make explicit in <del>agreeing</del> the terms of <u>the</u> engagement that, <del>unless prohibited by law or regulation,</del> the auditor retains the right to communicate directly with the governing body. | <del>A11.</del> When deciding whether there is also a need to communicate information, in full or in summary form, with the governing body, the auditor may be influenced by the auditor’s assessment of how effectively and appropriately the subgroup communicates relevant information with the governing body. The auditor may make explicit in the terms of the engagement that the auditor retains the right to communicate directly with the governing body. | B - Clarity wording changes |
| A7. Audit committees (or similar subgroups with different names) exist in many jurisdictions. Although their specific authority and functions may differ, communication with the audit committee, where one exists, has become a key element in the auditor’s communication with those charged with governance. Good governance principles suggest that:  | A12. <del>A7.</del> —Audit committees (or similar subgroups with different names) exist in many <del>entities</del> <u>jurisdictions</u> . Although <del>the</del> specific authority and functions <u>of the audit committees</u> may differ, communication with the audit committee, <del>where</del> one exists, <del>is</del> <u>has</u> <del>become</del> a key element in the auditor’s communication with those charged with  | <del>A12.</del> Audit committees (or similar subgroups with different names) exist in many entities. Although the specific authority and functions of audit committees may differ, communication with the audit committee, when one exists, is a key element in the auditor’s communication with those charged with   |                             |

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|   | governance. Good governance principles suggest that:   | governance. Good governance principles suggest that   |  |
| <ul style="list-style-type: none"> <li>The auditor will be invited to regularly attend meetings of the audit committee.</li> </ul>  | <ul style="list-style-type: none"> <li>The auditor <del>has access</del><del>will be invited</del> <u>will be invited</u> <del>to regularly attend meetings of the audit committee</del> <u>as necessary</u>.</li> </ul> | <ul style="list-style-type: none"> <li>the auditor has access to the audit committee as necessary.</li> </ul>   |  |
| <ul style="list-style-type: none"> <li>The chair of the audit committee and, when relevant, the other members of the audit committee, will liaise with the auditor periodically.</li> </ul> | <ul style="list-style-type: none"> <li>The chair of the audit committee and, when relevant, the other members of the audit committee, <del>meet will liaise</del> with the auditor periodically.</li> </ul>              | <ul style="list-style-type: none"> <li>the chair of the audit committee and, when relevant, the other members of the audit committee meet with the auditor periodically.</li> </ul> |  |
| <ul style="list-style-type: none"> <li>The audit committee will meet the auditor without management present at least annually.</li> </ul>   | <ul style="list-style-type: none"> <li>The audit committee <del>will meets</del> <u>with</u> the auditor without management present at least annually, <u>unless prohibited by law or regulation</u>.</li> </ul>         | <ul style="list-style-type: none"> <li>the audit committee meets with the auditor without management present at least annually, unless prohibited by law or regulation.</li> </ul>  | B - Clarity – added to address governmental concerns |
| <i>When All of Those Charged with Governance Are Involved in Managing the Entity</i> (Ref: Para.13)   | <del><i>When All of Those Charged with Governance Are Involved in Managing the Entity</i> (Ref: Para.13)</del>   |   |  |
| A8. In some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognize this position. In   | <del>A8. In some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognize this position. In</del>                     |   | B - Clarity – ASB determined guidance not necessary  |

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| such cases, communication with person(s) with management responsibilities may not adequately inform all of those with whom the auditor would otherwise communicate in their governance capacity. For example, in a company where all directors are involved in managing the entity, some of those directors (e.g., one responsible for marketing) may be unaware of significant matters discussed with another director (e.g., one responsible for the preparation of the financial statements). | <del>such cases, communication with person(s) with management responsibilities may not adequately inform all of those with whom the auditor would otherwise communicate in their governance capacity. For example, in a company where all directors are involved in managing the entity, some of those directors (e.g., one responsible for marketing) may be unaware of significant matters discussed with another director (e.g., one responsible for the preparation of the financial statements).</del> |   |          |
| <b>Matters to Be Communicated</b>  | <b>Matters to Be Communicated</b>   |   |          |
| <i>The Auditor's Responsibilities in Relation to the Financial Statement Audit</i> (Ref: Para. 14)   | <i>The Auditor's Responsibilities <u>With Regard in Relation to the Financial Statement Audit</u></i> (Ref: <del>Para. 14</del> <u>par. 10</u> )  | The Auditor's Responsibilities With Regard to the Financial Statement Audit (Ref: par. -10) |          |

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| <p>A9. The auditor’s responsibilities in relation to the financial statement audit are often included in the engagement letter or other suitable form of written agreement that records the agreed terms of the engagement.<sup>12</sup> Law, regulation or the governance structure of the entity may require those charged with governance to agree the terms of the engagement with the auditor. When this is not the case, providing those charged with governance with a copy of that engagement letter or other suitable form of written agreement may be an appropriate way to communicate with them regarding such matters as:</p> | <p>A13. <del>A9.</del>—The auditor’s responsibilities <del>with regard in relation</del> to the financial statement audit are often included in the engagement letter or other suitable form of written agreement that <del>documents records the agreed</del> terms of the engagement.<sup>13</sup> Law, regulation or the governance structure of the entity may require those charged with governance to agree <u>upon</u> the terms of the engagement with the auditor. When this is not the case, providing those charged with governance with a copy of that engagement letter or other suitable form of written agreement may be an appropriate way to communicate with them regarding such matters as:</p> | <p><del>A13.</del> The auditor’s responsibilities with regard to the financial statement audit are often included in the engagement letter or other suitable form of written agreement that documents the terms of the engagement. <u>Law, regulation or the governance structure of the entity may require those charged with governance to agree upon the terms of the engagement with the auditor. When this is not the case,</u> <del>p</del>Providing those charged with governance with a copy of that engagement letter or other suitable form of written agreement may be an appropriate way to communicate with them that</p> | <p>Extant 260 converged with the wording in ISA 260 at that time. The wording in ISA 260 has changed – proposed SAS is converged with 260 (revised)</p> |
| <ul style="list-style-type: none"> <li>The auditor’s responsibility for performing the audit in accordance with ISAs, which is directed towards the expression of an opinion on the financial statements.</li> </ul>   | <ul style="list-style-type: none"> <li><del>t</del>The auditor <u>is</u> <del>s</del>-responsible <del>ity</del> for performing the audit in accordance with <u>GAAS</u><del>ISAs</del>, which is directed towards the expression of an opinion on the</li> </ul>  | <ul style="list-style-type: none"> <li>the auditor is responsible for performing the audit in accordance with GAAS, <u>which is directed towards the expression of an opinion on the financial</u></li> </ul>  | <p>C – converged with ISA 260 (Revised) because it is intended to be a high level reference to auditor’s responsibilities.</p>                          |

<sup>12</sup> See paragraph 10 of ISA 210, *Agreeing the Terms of Audit Engagements*.

<sup>13</sup> ~~See paragraph 10 of ISA 210, *Agreeing the Terms of Audit Engagements*.~~

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|---|---|--|--|
| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>  |
| The matters that ISAs require to be communicated, therefore, include significant matters arising during the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. | financial statements. The matters that <del>GAAS ISAs</del> require to be communicated, therefore, include significant matters arising during the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. | <del>statements. The matters that GAAS require to be communicated, therefore, include significant matters arising during the audit of the financial statements that are relevant to those charged with governance in overseeing the financial reporting process. and that the audit is designed to obtain reasonable, rather than absolute, assurance about whether the financial statements as a whole are free from material misstatement.</del> |  |
|   |   | <ul style="list-style-type: none"> <li><del>an audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting.</del></li> </ul>  | <p>B - Added as part of clarity</p> <p>Not included in proposed SAS because this section is intended to be a high level reference to the auditor's responsibilities.</p> |
| <ul style="list-style-type: none"> <li>The fact that ISAs do not require the auditor to design procedures for the purpose of identifying</li> </ul>   | <ul style="list-style-type: none"> <li><del>The fact that ISAs</del>GAAS do not require the auditor to design procedures for the purpose of</li> </ul>  | <ul style="list-style-type: none"> <li><del>the auditor is responsible for communicating significant matters related to the financial statement</del></li> </ul>   | C – converged with ISA 260 (Revised)   |

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| A   | B   | C  | D                               |
|---|---|--|---------------------------------|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments                        |
| supplementary matters to communicate with those charged with governance.  | identifying <del>othersupplementary</del> matters to communicate with those charged with governance.  | <del>audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.</del> The fact that GAAS do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance. |                                 |
| <ul style="list-style-type: none"> <li>When ISA 701<sup>14</sup> applies, the auditor's responsibilities to determine and communicate key audit matters in the auditor's report.</li> </ul> | <ul style="list-style-type: none"> <li><del>w</del>When <del>AU-C section ISA</del> 701, <i>Communicating Key Audit Matters in the Independent Auditor's Report</i>,<sup>15</sup> applies, the auditor <del>is</del><sup>2</sup>s responsible <del>ilities</del> <del>to</del>for determining and communicating key audit matters in the auditor's report.</li> </ul> | <ul style="list-style-type: none"> <li><del>when AU-C section 701, Communicating Key Audit Matters in the Independent Auditor's Report, applies, the auditor is responsible for determining and communicating key audit matters in the auditor's report.</del></li> </ul>  | C – added for proposed AU-C 701 |
| <ul style="list-style-type: none"> <li>When applicable, the auditor's responsibility for communicating particular matters required by law or regulation, by agreement with the</li> </ul>   | <ul style="list-style-type: none"> <li><del>w</del>When applicable, the auditor<del>s</del> <del>is</del> <del>also</del> <del>—</del>responsible <del>ility</del> <del>—</del>for communicating particular matters required by law or regulation, by</li> </ul>  | <ul style="list-style-type: none"> <li>when applicable, the auditor is also responsible for communicating particular matters required by law or regulation, by agreement with</li> </ul>   | B - Clarity wording changes     |

<sup>14</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

<sup>15</sup> ~~ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*~~

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| A  | B   | C   | D  |
|--|---|---|--|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)                                | Comments   |
| entity or by additional requirements applicable to the engagement, for example, the standards of a national professional accountancy body.   | agreement with the entity, or by additional requirements applicable to the engagement, <del>for example, the standards of a national professional accountancy body.</del>   | the entity, or by additional requirements applicable to the engagement.       |  |
| A10. Law or regulation, an agreement with the entity or additional requirements applicable to the engagement may provide for broader communication with those charged with governance. For example, (a) an agreement with the entity may provide for particular matters to be communicated when they arise from services provided by a firm or network firm other than the financial statement audit; or (b) the mandate of a public sector auditor may provide for matters to be communicated that come to the auditor's attention as a result of other work, such as performance audits. | <del>A10. Law or regulation, an agreement with the entity or additional requirements applicable to the engagement may provide for broader communication with those charged with governance. For example, (a) an agreement with the entity may provide for particular matters to be communicated when they arise from services provided by a firm or network firm other than the financial statement audit; or (b) the mandate of a public sector auditor may provide for matters to be communicated that come to the auditor's attention as a result of other work, such as performance audits.</del> |   | B - Extant did not include this as part of clarity changes |
| <i>Auditor Independence</i> (Ref: Para. 17)  | <i>Auditor Independence</i> (Ref: <del>par. Para. 17</del> 10)  | <i>Independence</i> (Ref: <del>par. 10</del> )                                |  |
| A29. The auditor is required to comply with relevant ethical requirements,   | A14. <u>GAAS require independence for all audits. Relevant matters to</u>   | <del>A14.</del> GAAS require independence for all audits. Relevant matters to | A - Moved ISA 260.A29-A33 here.                            |

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| A  | B  | C   | D  |
|--|--|---|--|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments   |
| including those pertaining to independence, relating to financial statement audit engagements. <sup>16</sup>                                       | <u>consider in reaching a conclusion about independence include circumstances or relationships that create threats to auditor independence and the related safeguards that have been applied to eliminate those threats or reduce them to an acceptable level. Comprehensive material on threats to independence and safeguards, including application to specific situations, is set forth in the AICPA’s “Conceptual Framework for Independence” (ET sec. 1.210.010). The auditor is required to comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements.</u> <sup>17</sup> | consider in reaching a conclusion about independence include circumstances or relationships that create threats to auditor independence and the related safeguards that have been applied to eliminate those threats or reduce them to an acceptable level. Comprehensive material on threats to independence and safeguards, including application to specific situations, is set forth in the AICPA’s “Conceptual Framework for Independence” (ET sec. 1.210.010). [Revised, January 2015, to reflect conforming changes necessary due to the issuance of the revised AICPA Code of Professional Conduct, effective December 15, 2014.] | A - ISA relates to listed entities so proposed SAS reflects clarity changes .<br><br>B - Clarity wording changes |
| A30. The relationships and other matters, and safeguards to be communicated, vary with the circumstances of the engagement, but generally address: | A15. <u>Although the auditor’s report affirms the auditor’s independence, in certain situations, the auditor may determine that it is appropriate to communicate with those charged with governance circumstances or</u>   | <del>A15.</del> Although the auditor’s report affirms the auditor’s independence, in certain situations, the auditor may determine that it is appropriate to communicate with those charged with governance circumstances or  |  |

<sup>16</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14

<sup>17</sup> ~~ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14~~

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| A  | B   | C   | D                                  |
|--|---|---|------------------------------------|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments                           |
|  | <p><u>relationships (for example, financial interests, business or family relationships, or nonaudit services provided or expected to be provided) that, in the auditor's professional judgment, may reasonably be thought to bear on independence, and to which the auditor gave significant consideration, in reaching the conclusion that independence has not been impaired.</u>A30. <del>The relationships and other matters, and safeguards to be communicated, vary with the circumstances of the engagement, but generally address:</del></p> | <p>relationships (for example, financial interests, business or family relationships, or nonaudit services provided or expected to be provided) that, in the auditor's professional judgment, may reasonably be thought to bear on independence, and to which the auditor gave significant consideration, in reaching the conclusion that independence has not been impaired.</p>                                     |                                    |
| <p>(a) Threats to independence, which may be categorized as: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats; and</p> <p>(b) Safeguards created by the profession, legislation or regulation, safeguards within the entity, and safeguards within the firm's own systems and procedures.</p> | <p>A16. <u>It may be particularly appropriate to communicate with those charged with governance those circumstances or relationships discussed in paragraph A15 in audits of public interest entities. In addition to entities subject to Securities and Exchange Commission reporting requirements, all of the entities described in the definition of public interest entities in ET section</u></p>  | <p><del>A16.</del> It may be particularly appropriate to communicate with those charged with governance those circumstances or relationships discussed in paragraph <del>A15</del> in audits of public interest entities. In addition to entities subject to Securities and Exchange Commission reporting requirements, all of the entities described in the definition of public interest entities in ET section</p> | <p>B - Clarity wording changes</p> |

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|--|---|---|---|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments  |
|  | <p><u>0.400, Definitions, are considered to be public interest entities.</u></p> <p><del>(a) — Threats to independence, which may be categorized as: self-interest threats, self-review threats, advocacy threats, familiarity threats, and intimidation threats; and</del></p> <p><del>(b) — Safeguards created by the profession, legislation or regulation, safeguards within the entity, and safeguards within the firm’s own systems and procedures.</del></p> | <p>0.400, <i>Definitions</i>, are considered to be public interest entities.</p>  |   |
| <p>A31. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the International Ethics Standards Board for Accountants’ <i>Code of Ethics for Professional Accountants</i> (IESBA Code) requires the auditor to</p> | <p>A17. <del>A31.</del> Relevant ethical requirements <del>or law or regulation</del> may also specify particular communications to those charged with governance in circumstances where <del>re</del> breaches of independence requirements have been identified. For example, the <u>AICPA Code of Professional Conduct</u> <del>International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants</del> (IESBA</p>               | <p><u>A17. Relevant ethical requirements may also specify particular communications to those charged with governance in circumstances when breaches of independence requirements have been identified. For example, the AICPA Code of Professional Conduct requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.<sup>20</sup></u></p> | <p>C – Added to converge with ISA 260 (revised)</p> |

<sup>20</sup> See Section interpretation under the “Independence Rule” [1.200.001] “Breach of an Independence Interpretation” interpretation [1.298.010] which addresses breaches of independence.

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| A   | B  | C   | D                   |
|---|--|---|---------------------|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments            |
| communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take. <sup>18</sup>   | <del>Code</del> requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take. <sup>19</sup>  |   |                     |
| A32. The communication requirements relating to auditor independence that apply in the case of listed entities may also be appropriate in the case of some other entities, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies, and pension funds), and other entities such as charities. On the other hand, there may be situations where communications regarding independence may not be relevant, for | A18. <del>A32.</del> <u>The form and timing of communications regarding independence may be affected by the entity’s governance structure and whether a formal subgroup, such as an audit committee, exists. In situations in which all of those charged with governance are involved in managing the entity, the auditor may determine that those charged with governance have been informed of relevant facts regarding the auditor’s independence through their management activities or through other means, such as the engagement letter. This is particularly likely when the entity is owner-managed and the auditor’s firm has little</u> | <del>A18.17.</del> The form and timing of communications regarding independence may be affected by the entity’s governance structure and whether a formal subgroup, such as an audit committee, exists. In situations in which all of those charged with governance are involved in managing the entity, the auditor may determine that those charged with governance have been informed of relevant facts regarding the auditor’s independence through their management activities or through other means, such as the engagement letter. This is particularly likely when the entity is owner-managed and the auditor’s firm has little | B – clarity changes |

<sup>18</sup> See Section 290.39–49 of the IESBA Code, which addresses breaches of independence.

<sup>19</sup> See Section ~~290.39–49 of the IESBA Code~~, interpretation under the “Independence Rule” [1.200.001] “Breach of an Independence Interpretation” interpretation [1.298.010] which addresses breaches of independence.

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| A  | B  | C  | D        |
|--|--|--|----------|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)                         | Comments |
| <p>example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly likely where the entity is owner-managed, and the auditor’s firm and network firms have little involvement with the entity beyond a financial statement audit.</p> | <p><del>involvement with the entity beyond a financial statement audit. The communication requirements relating to auditor independence that apply in the case of listed entities may also be appropriate in the case of some other entities, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies, and pension funds), and other entities such as charities. On the other hand, there may be situations where communications regarding independence may not be relevant, for example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly likely where the entity is owner-managed, and the auditor’s firm and network firms have little involvement with the entity beyond a financial statement audit.</del></p> | <p>involvement with the entity beyond a financial statement audit.</p> |          |

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|--|--|---|--|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments                               |
| <i>Planned Scope and Timing of the Audit</i> (Ref. Para. 15)   | <i>Planned Scope and Timing of the Audit</i> (Ref. <del>Para. 15</del> <u>par. 11</u> )  | Planned Scope and Timing of the Audit (Ref. par. -11)   |  |
| A11. Communication regarding the planned scope and timing of the audit may:  | <b>A19.</b> <del>A11.</del> Communication regarding the planned scope and timing of the audit may <u>assist</u> :  | <b>A19.</b> Communication regarding the planned scope and timing of the audit may assist  |  |
|  | <ul style="list-style-type: none"> <li><u>Those charged with governance to discuss issues of risk and materiality with the auditor</u></li> </ul>  | <ul style="list-style-type: none"> <li>those charged with governance to discuss issues of risk and materiality with the auditor;</li> </ul>   | B - Clarity changes                    |
| (a) Assist those charged with governance to understand better the consequences of the auditor's work, to discuss issues of risk and the concept of materiality with the auditor, and to identify any areas in which they may request the auditor to undertake additional procedures; and | <ul style="list-style-type: none"> <li><del>(a) Assist</del> those charged with governance to understand better the consequences of the auditor's work, <del>to discuss issues of risk and the concept of materiality with the auditor,</del> and to identify any areas in which they may request the auditor to undertake additional procedures; and</li> </ul> | <ul style="list-style-type: none"> <li>those charged with governance to understand better the consequences of the auditor's work and to identify any areas in which they may request the auditor to undertake additional procedures; and</li> </ul> | B - Clarity changes                    |
| (b) Assist the auditor to understand better the entity and its environment.  | <ul style="list-style-type: none"> <li><del>(b) Assist</del> the auditor to understand better the entity and its environment.</li> </ul>   | <ul style="list-style-type: none"> <li>the auditor to understand better the entity and its environment.</li> </ul>  |  |
| A12. Communicating significant risks identified by the auditor helps those   | A20. <del>A12.</del> Communicating significant risks identified by the auditor   | <u>A20. Communicating significant risks identified by the auditor helps those</u>   | C – added to address significant risks |

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| charged with governance understand those matters and why they require special audit consideration. The communication about significant risks may assist those charged with governance in fulfilling their responsibility to oversee the financial reporting process. | helps those charged with governance understand those matters and why they require special audit consideration. The communication about significant risks may assist those charged with governance in fulfilling their responsibility to oversee the financial reporting process. | <u>charged with governance understand those matters and why they require special audit consideration. The communication about significant risks may assist those charged with governance in fulfilling their responsibility to oversee the financial reporting process.</u> |  |
| A13. Matters communicated may include:   | A21. <u>A13.</u> —Matters communicated may include <u>the following</u> :  | <b>A210.</b> Matters communicated may include the following:  |  |
| <ul style="list-style-type: none"> <li>How the auditor plans to address the significant risks of material misstatement, whether due to fraud or error.</li> </ul>  | <ul style="list-style-type: none"> <li>How the auditor plans to address the significant risks of material misstatement, whether due to fraud or error.</li> </ul>  | <ul style="list-style-type: none"> <li>How the auditor <u>plans proposes</u> to address the significant risks of material misstatement, whether due to fraud or error</li> </ul>  |  |
| <ul style="list-style-type: none"> <li>How the auditor plans to address areas of higher assessed risks of material misstatement.</li> </ul>  | <ul style="list-style-type: none"> <li>How the auditor plans to address areas of higher assessed risks of material misstatement.</li> </ul>  | <ul style="list-style-type: none"> <li><u>How the auditor plans to address areas of higher assessed risks of material misstatement.</u></li> </ul>  | C – new to ISA 260 (Revised) to align with requirements in ISA 701 |
| <ul style="list-style-type: none"> <li>The auditor’s approach to internal control relevant to the audit.</li> </ul>  | <ul style="list-style-type: none"> <li>The auditor’s approach to internal control relevant to the audit, <u>including, when applicable, whether the auditor will express an opinion on the effectiveness of internal control over financial reporting.</u></li> </ul>            | <ul style="list-style-type: none"> <li>The auditor’s approach to internal control relevant to the audit including, when applicable, whether the auditor will express an opinion on the effectiveness of internal control over financial reporting</li> </ul>                | B - Clarity wording change   |

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| <ul style="list-style-type: none"> <li>The application of the concept of materiality in the context of an audit.<sup>21</sup></li> </ul>   | <ul style="list-style-type: none"> <li>The application of <del>the concept of</del> materiality in the context of an audit, <u>as discussed in AU-C section 320, Materiality in Planning and Performing an Audit.</u><sup>22</sup></li> </ul>              | <ul style="list-style-type: none"> <li>The application of materiality in the context of an audit, as discussed in <u>AU-C section 320, Materiality in Planning and Performing an Audit</u></li> </ul>  | B - Clarity changes  |
| <ul style="list-style-type: none"> <li>The nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results, including the use of an auditor's expert.<sup>23</sup></li> </ul> | <ul style="list-style-type: none"> <li>The nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results, including the use of an auditor's expert.<sup>24</sup></li> </ul>             | <ul style="list-style-type: none"> <li><u>The nature and extent of specialized skill or knowledge needed to perform the planned audit procedures or evaluate the audit results, including the use of an auditor's expert.</u><sup>25</sup></li> </ul>  | C – new to ISA 260 (Revised)                                       |
| <ul style="list-style-type: none"> <li>When ISA 701 applies, the auditor's preliminary views about matters that may be areas of significant auditor attention in the audit and therefore may be key audit matters.</li> </ul>                  | <ul style="list-style-type: none"> <li>When <u>proposed AU-C section ISA 701</u> applies, the auditor's preliminary views about matters that may be areas of significant auditor attention in the audit and therefore may be key audit matters.</li> </ul> | <ul style="list-style-type: none"> <li><u>When proposed AU-C section 701 applies, the auditor's preliminary views about matters that may be areas of significant auditor attention in the audit and therefore may be key audit matters.</u></li> </ul> | C – new to ISA 260 (Revised) to align with requirements in ISA 701 |
| <ul style="list-style-type: none"> <li><b><i>The auditor's planned approach to addressing the implications on the</i></b></li> </ul>   | <ul style="list-style-type: none"> <li>The auditor's planned approach to addressing the implications on the</li> </ul>   | <ul style="list-style-type: none"> <li><u>The auditor's planned approach to addressing the implications on the</u></li> </ul>  | ISA 260(R)- new content relating to disclosure project. .          |

<sup>21</sup> ISA 320, *Materiality in Planning and Performing an Audit*

<sup>22</sup> ~~ISA 320, *Materiality in Planning and Performing an Audit*~~

<sup>23</sup> See ISA 620, *Using the Work of an Auditor's Expert*.

<sup>24</sup> See ~~AU-C ISA section~~ 620, *Using the Work of an Auditor's Expert*.

<sup>25</sup> See AU-C section 620, *Using the Work of an Auditor's Expert*.

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| <i>individual statements and the disclosures of any significant changes within the applicable financial reporting framework or in the entity's environment, financial condition or activities.</i>                        | individual statements and the disclosures of any significant changes within the applicable financial reporting framework or in the entity's environment, financial condition or activities.   | <a href="#"><u>individual statements and the disclosures of any significant changes within the applicable financial reporting framework or in the entity's environment, financial condition or activities.</u></a>   | To be addressed as part of separate project (see agenda item 2)                  |
|   | <ul style="list-style-type: none"> <li><a href="#"><u>If the entity has an internal audit function, how the auditor and the internal auditors can work together in a constructive and complementary manner, including any planned use of the work of the internal audit function in obtaining audit evidence and the nature and extent of any planned use of internal auditors to provide direct assistance.</u></a></li> </ul> | <ul style="list-style-type: none"> <li>If the entity has an internal audit function, how the auditor and the internal auditors can work together in a constructive and complementary manner, including any planned use of the work of the internal audit function in obtaining audit evidence and the nature and extent of any planned use of internal auditors to provide direct assistance.</li> </ul> | B - Clarity change – moved up here from below                                    |
| A14. Other planning matters that it may be appropriate to discuss with those charged with governance include:   | A22. <del>A14.</del> —Other planning matters that <del>#</del> may be appropriate to discuss with those charged with governance include:  | <del>A22.1</del> Other planning matters that may be appropriate to discuss with those charged with governance include  |  |
| <ul style="list-style-type: none"> <li>Where the entity has an internal audit function, how the external auditor and internal auditors can work together in a constructive and complementary manner, including</li> </ul> | <ul style="list-style-type: none"> <li><del>Where the entity has an internal audit function, how the external auditor and internal auditors can work together in a constructive and complementary manner, including</del></li> </ul>  |  | Moved up as last bullet of paragraph A21 (column B) (as part of clarity changes) |

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| any planned use of the work of the internal audit function, and the nature and extent of any planned use of internal auditors to provide direct assistance. <sup>26</sup> | <del>any planned use of the work of the internal audit function, and the nature and extent of any planned use of internal auditors to provide direct assistance.<sup>27</sup></del> |   |  |
| <ul style="list-style-type: none"> <li>• The views of those charged with governance <b>about of</b>:</li> </ul>   | <ul style="list-style-type: none"> <li>• The views of those charged with governance about <u>the following matters</u>of:</li> </ul>  | <ul style="list-style-type: none"> <li>• the views of those charged with governance about the following matters:</li> </ul>   | Disclosures project changd “of” to “about (extant uses “about” so retained extant wording) |
| <ul style="list-style-type: none"> <li>○ The appropriate person(s) in the entity’s governance structure with whom to communicate.</li> </ul>                              | <ul style="list-style-type: none"> <li>○ The appropriate person(s) in the entity’s governance structure with whom to communicate.</li> </ul>  | <ul style="list-style-type: none"> <li>○ The appropriate person(s) in the entity’s governance structure with whom to communicate</li> </ul>                         |  |
| <ul style="list-style-type: none"> <li>○ The allocation of responsibilities between those charged with governance and management.</li> </ul>                              | <ul style="list-style-type: none"> <li>○ The allocation of responsibilities between those charged with governance and management.</li> </ul>  | <ul style="list-style-type: none"> <li>○ The allocation of responsibilities between those charged with governance and management</li> </ul>                         |  |
| <ul style="list-style-type: none"> <li>○ The entity’s objectives and strategies, and the related business risks that may result in material misstatements.</li> </ul>     | <ul style="list-style-type: none"> <li>○ The entity’s objectives and strategies, and the related business risks that may result in material misstatements.</li> </ul>               | <ul style="list-style-type: none"> <li>○ The entity’s objectives and strategies and the related business risks that may result in material misstatements</li> </ul> |  |

<sup>26</sup> ISA 610 (Revised), *Using the Work of Internal Auditors*, paragraph 18, and ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, paragraph 31

<sup>27</sup> ~~ISA 610 (Revised), *Using the Work of Internal Auditors*, paragraph 18, and ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, paragraph 31~~

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| A   | B   | C  | D   |
|---|---|--|---|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments  |
| <ul style="list-style-type: none"> <li>○ Matters those charged with governance consider warrant particular attention during the audit, and any areas where they request additional procedures to be undertaken.</li> </ul>  | <ul style="list-style-type: none"> <li>○ Matters those charged with governance consider <u>as warranting</u> particular attention during the audit, and any areas <u>for which</u> <del>where</del> they request additional procedures to be undertaken.</li> </ul>                         | <ul style="list-style-type: none"> <li>○ Matters those charged with governance consider as warranting particular attention during the audit and any areas for which they request additional procedures to be undertaken</li> </ul>   | B - Clarity wording changes   |
| <ul style="list-style-type: none"> <li>○ Significant communications <b>between the entity and with</b> regulators.</li> </ul>   | <ul style="list-style-type: none"> <li>○ Significant communications between the entity and regulators.</li> </ul>   | <ul style="list-style-type: none"> <li>○ Significant communications <u>between the entity and with</u> regulators</li> </ul>   | Disclosures project added “between the entity and regulators” - to be addressed as part of separate project (see agenda item 2) |
| <ul style="list-style-type: none"> <li>○ Other matters those charged with governance consider may influence the audit of the financial statements.</li> </ul>   | <ul style="list-style-type: none"> <li>○ Other matters those charged with governance <u>believe are relevant to</u> <del>consider</del> <u>may influence</u> the audit of the financial statements.</li> </ul>  | <ul style="list-style-type: none"> <li>○ Other matters those charged with governance believe are relevant to the audit of the financial statements</li> </ul>  | B – clarity changes   |
| <ul style="list-style-type: none"> <li>• The attitudes, awareness, and actions of those charged with governance concerning (a) the entity’s internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal</li> </ul> | <ul style="list-style-type: none"> <li>• The attitudes, awareness, and actions of those charged with governance concerning (a) the entity’s internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal</li> </ul> | <ul style="list-style-type: none"> <li>• the attitudes, awareness, and actions of those charged with governance concerning (a) the entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control,</li> </ul> |   |

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| A  | B   | C   | D  |
|--|---|---|--|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments   |
| control, and (b) the detection or possibility of fraud.  | control, and (b) the detection or <u>the</u> possibility of fraud.  | and (b) the detection or the possibility of fraud.  |  |
| <ul style="list-style-type: none"> <li>The actions of those charged with governance in response to developments in accounting standards, corporate governance practices, exchange listing rules, and related matters, <i>and the effect of such developments on, for example, the overall presentation, structure and content of the financial statements, including:</i></li> </ul> | <ul style="list-style-type: none"> <li>The actions of those charged with governance in response to developments in <u>law</u>, accounting standards, corporate governance practices, <u>exchange listing rules</u>, and <u>other</u> related matters, and the effect of such developments on, for example, the overall presentation, structure and content of the financial statements, including:</li> </ul> | <ul style="list-style-type: none"> <li>the actions of those charged with governance in response to developments in law, accounting standards, corporate governance practices, and other related matters, <u>and the effect of such developments on, for example, the overall presentation, structure and content of the financial statements, including:</u></li> </ul> | Grey shaded content is new relating to disclosures project. To be addressed as part of separate project (see agenda item 2)  |
| <ul style="list-style-type: none"> <li><i>The relevance, reliability, comparability and understandability of the information presented in the financial statements; and</i></li> </ul>   | <ul style="list-style-type: none"> <li>The relevance, reliability, comparability and understandability of the information presented in the financial statements; and</li> </ul>   | <ul style="list-style-type: none"> <li><u>The relevance, reliability, comparability and understandability of the information presented in the financial statements; and</u></li> </ul>  | Grey shaded content is new relating to disclosures project. To be addressed as part of separate project (see agenda item 2). |
| <ul style="list-style-type: none"> <li><i>Considering whether the financial statements are undermined by the inclusion of information that is not relevant or that obscures a proper understanding of the matters disclosed.</i></li> </ul>  | <ul style="list-style-type: none"> <li>Considering whether the financial statements are undermined by the inclusion of information that is not relevant or that obscures a proper understanding of the matters disclosed.</li> </ul>  | <ul style="list-style-type: none"> <li><u>Considering whether the financial statements are undermined by the inclusion of information that is not relevant or that obscures a proper understanding of the matters disclosed.</u></li> </ul>   | Grey shaded content is new relating to disclosures project. To be addressed as part of separate project (see agenda item 2). |

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|--|--|--|--|
| <b>ISA 260 (Revised)</b>   | <b>ISA 260 (marked to proposed SAS)</b>  | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>  |
| <ul style="list-style-type: none"> <li>The responses of those charged with governance to previous communications with the auditor.</li> </ul>  | <ul style="list-style-type: none"> <li>The <u>actions responses</u>—of those charged with governance <u>in response</u> to previous communications with the auditor.</li> </ul>  | <ul style="list-style-type: none"> <li>the actions of those charged with governance in response to previous communications with the auditor.</li> </ul>                              | B - Clarity wording changes  |
| <ul style="list-style-type: none"> <li><i>The documents comprising the other information (as defined in ISA 720 (Revised) and the planned manner and timing of the issuance of such documents. When the auditor expects to obtain other information after the date of the auditor’s report, the discussions with those charged with governance may also include the actions that may be appropriate or necessary, if the auditor concludes that a material misstatement of the other information exists in other information obtained after the date of the auditor’s report.</i></li> </ul> | <ul style="list-style-type: none"> <li><del>The documents comprising the other information (as defined in ISA 720 (Revised) and the planned manner and timing of the issuance of such documents. When the auditor expects to obtain other information after the date of the auditor’s report, the discussions with those charged with governance may also include the actions that may be appropriate or necessary, if the auditor concludes that a material misstatement of the other information exists in other information obtained after the date of the auditor’s report.</del></li> </ul> |  | <p>Amendment to ISA 260 (Revised) relating to ISA 720 (Revised) – to be proposed as part of the AU-C 720 Exposure draft – changes not reflected here.</p> <p>Placeholder</p> |
| A15. While communication with those charged with governance may assist the auditor to plan the scope and timing of the audit, it does not change the auditor’s sole responsibility to establish  | <del>A23.</del> <del>A15.</del> <del>Although</del> While communication with those charged with governance may assist the auditor to plan the scope and timing of the audit, it does not change the auditor’s sole   | <del>A23.22.</del> Although communication with those charged with governance may assist the auditor to plan the scope and timing of the audit, it does not change the auditor’s sole | B – clarity changes  |

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| A   | B  | C   | D  |
|---|--|---|--|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments   |
| the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.   | responsibility to establish the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.  | responsibility to establish the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.  |  |
| A16. Care is <b>necessary</b> <del>required</del> when communicating with those charged with governance about the planned scope and timing of the audit so as not to compromise the effectiveness of the audit, particularly where some or all of those charged with governance are involved in managing the entity. For example, communicating the nature and timing of detailed audit procedures may reduce the effectiveness of those procedures by making them too predictable. | A24. <del>A16.</del> Care is <b>necessary</b> when communicating with those charged with governance about the planned scope and timing of the audit so as not to compromise the effectiveness of the audit, particularly where <del>ne</del> some or all of those charged with governance are involved in managing the entity. For example, communicating the nature and timing of detailed audit procedures may reduce the effectiveness of those procedures by making them too predictable. <a href="#">Certain factors described in paragraph A47 may be relevant in determining the nature and extent of this communication.</a> | <del>A24. A18</del> Care is <b>necessary</b> <del>required</del> when communicating with those charged with governance about the planned scope and timing of the audit so as not to compromise the effectiveness of the audit, particularly when some or all of those charged with governance are involved in managing the entity. For example, communicating the nature and timing of detailed audit procedures may reduce the effectiveness of those procedures by making them too predictable. Certain factors described in paragraph <del>A39</del> <a href="#">A47</a> may be relevant in determining the nature and extent of this communication. | Grey shaded content is new relating to disclosures project (changed “required” to “necessary”). To be addressed as part of separate project (see agenda item 2). |
| <i>Significant Findings from the Audit</i> (Ref: Para. 16)  | <i>Significant Findings from the Audit</i> (Ref: <del>Para. 16</del> <a href="#">par. 12</a> )   | Significant Findings From the Audit (Ref: par. <del>12</del> )  |  |
| A17. The communication of findings from the audit may include requesting  | A25. <del>A17.</del> —The communication of <b>significant</b> findings from the audit may  | <del>A25. A23</del> The communication of significant findings from the audit may  |  |

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|---|--|--|------------------------------|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments                     |
| <p>further information from those charged with governance in order to complete the audit evidence obtained. For example, the auditor may confirm that those charged with governance have the same understanding of the facts and circumstances relevant to specific transactions or events.</p>   | <p>include requesting further information from those charged with governance in order to complete the audit evidence obtained. For example, the auditor may confirm that those charged with governance have the same understanding of the facts and circumstances relevant to specific transactions or events.</p>   | <p>include requesting further information from those charged with governance in order to complete the audit evidence obtained. For example, the auditor may confirm that those charged with governance have the same understanding of the facts and circumstances relevant to specific transactions or events.</p>   |                              |
| <p>A18. When ISA 701 applies, the communications with those charged with governance required by paragraph 16, as well as the communication about the significant risks identified by the auditor required by paragraph 15, are particularly relevant to the auditor’s determination of matters that required significant auditor attention and which therefore may be key audit matters.<sup>28</sup></p> | <p>A26. <del>A18.</del>—When <u>proposed AU-C section ISA</u>—701 applies, the communications with those charged with governance required by paragraph <del>16</del>12, as well as the communication about the significant risks identified by the auditor required by paragraph <del>15</del>11, are particularly relevant to the auditor’s determination of matters that required significant auditor attention and which therefore may be key audit matters.<sup>29</sup></p> | <p><u>A26. When proposed AU-C section 701 applies, the communications with those charged with governance required by paragraph 12, as well as the communication about the significant risks identified by the auditor required by paragraph 11, are particularly relevant to the auditor’s determination of matters that required significant auditor attention and which therefore may be key audit matters.</u><sup>30</sup></p> | <p>C – added for ISA 701</p> |

<sup>28</sup> ISA 701, paragraphs 9–10

<sup>29</sup> Proposed AU-C section ISA 701, paragraphs 9–10

<sup>30</sup> Proposed AU-C section 701, paragraphs 9–10

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|---|--|---|---|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments  |
| Significant Qualitative Aspects of Accounting Practices (Ref: Para. 16(a))  | <del>Significant</del> Qualitative Aspects of <u>the Entity's</u> Accounting Practices (Ref: <del>Para. 16</del> 12(a))  | <i>Qualitative Aspects of the Entity's Significant Accounting Practices (Ref: par. -12a)</i>  |   |
| A19. Financial reporting frameworks ordinarily allow for the entity to make accounting estimates, and judgments about accounting policies and financial statement disclosures, for example, in relation to the use of key assumptions in the development of accounting estimates for which there is significant measurement uncertainty. In addition, law, regulation or financial reporting frameworks may require disclosure of a summary of significant accounting policies or make reference to “critical accounting estimates” or “critical accounting policies and practices” to identify and provide additional information to users about the most difficult, subjective or complex judgments made by management in preparing the financial statements. | <b>A27.</b> <del>A19.</del> —Financial reporting frameworks ordinarily allow for the entity to make accounting estimates, and judgments about accounting policies and financial statement disclosures, for example, <del>in relation to</del> the use of key assumptions in the development of accounting estimates for which there is significant measurement uncertainty. In addition, law, regulation or financial reporting frameworks may require disclosure of a summary of significant accounting policies or make reference to “critical accounting estimates” or “critical accounting policies and practices” to identify and provide additional information to users about the most difficult, subjective or complex judgments made by management in preparing the financial statements. | <del>A27.</del> <del>A24</del> Financial reporting frameworks ordinarily allow for the entity to make accounting estimates and judgments about accounting policies and financial statement disclosures, <u>for example, in relation to the use of key assumptions in the development of accounting estimates for which there is significant measurement uncertainty. In addition, law, regulation or financial reporting frameworks may require disclosure of a summary of significant accounting policies or make reference to “critical accounting estimates” or “critical accounting policies and practices” to identify and provide additional information to users about the most difficult, subjective or complex judgments made by management in preparing the financial statements.</u> | C – content added to address ISA 701 (note TF recommended removing the words “in relation to” because words are not necessary). |

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|---|---|---|--|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments   |
| <p>A20. As a result, the auditor’s views on the subjective aspects of the financial statements may be particularly relevant to those charged with governance in discharging their responsibilities for oversight of the financial reporting process. For example, in relation to the matters described in paragraph A19, those charged with governance may be interested in the auditor’s evaluation of the adequacy of disclosures of the estimation uncertainty relating to accounting estimates that give rise to significant risks. Open and constructive communication about significant qualitative aspects of the entity’s accounting practices also may include comment on the acceptability of significant accounting practices <b>and the quality of the disclosures</b>. Appendix 2 identifies matters that may be included in this communication.</p> | <p>A28. <del>A20</del>—As a result, the auditor’s views on the subjective aspects of the financial statements may be particularly relevant to those charged with governance in discharging their responsibilities for oversight of the financial reporting process. For example, in relation to the matters described in paragraph <del>A19</del>A27, those charged with governance may be interested in the auditor’s evaluation of the adequacy of disclosures of the estimation uncertainty relating to accounting estimates that give rise to significant risks. Open and constructive communication about <del>significant</del> qualitative aspects of the entity’s <del>significant</del> accounting practices also may include comment on the acceptability of significant accounting practices and the quality of the disclosures. <del>The appendix, "Qualitative Aspects of Accounting Practices," Appendix 2</del> identifies matters that may be included in this communication.</p> | <p><u>A28. As a result, the auditor’s views on the subjective aspects of the financial statements may be particularly relevant to those charged with governance in discharging their responsibilities for oversight of the financial reporting process. For example, in relation to the matters described in paragraph A27, those charged with governance may be interested in the auditor’s evaluation of the adequacy of disclosures of the estimation uncertainty relating to accounting estimates that give rise to significant risks.</u> Open and constructive communication about qualitative aspects of the entity’s significant accounting practices <u>also</u> may include comment on the acceptability of significant accounting practices <u>and the quality of the disclosures</u>. The appendix, "Qualitative Aspects of Accounting Practices," identifies matters that may be included in this communication.</p> | <p>C – Added to address requirements in ISA 701</p> <p>Last sentence from extant par. A24</p> <p>“and the quality of the disclosures” from disclosures project</p> <p>Grey shaded content is new relating to disclosures project. To be address as part of separate project (see agenda item 2).</p> |

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|-------------------|---|---|--------------------|
| ISA 260 (Revised) | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments           |
|                   | <p>A29. <u>Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. In communicating with those charged with governance about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates, the auditor may consider communicating</u></p> | <p><del>A29.</del><del>A25</del> Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. In communicating with those charged with governance about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates, the auditor may consider communicating</p> | B – clarity change |
|                   | <ul style="list-style-type: none"> <li><u>the nature of significant assumptions,</u></li> </ul>   | <ul style="list-style-type: none"> <li>the nature of significant assumptions,</li> </ul>  |                    |
|                   | <ul style="list-style-type: none"> <li><u>the degree of subjectivity involved in the development of the assumptions, and</u></li> </ul>   | <ul style="list-style-type: none"> <li>the degree of subjectivity involved in the development of the assumptions, and</li> </ul>  |                    |
|                   | <ul style="list-style-type: none"> <li><u>the relative materiality of the items being measured to the financial statements as a whole.</u></li> </ul>   | <ul style="list-style-type: none"> <li>the relative materiality of the items being measured to the financial statements as a whole.</li> </ul>  |                    |

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|---|---|---|---|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments  |
| Significant Difficulties Encountered during the Audit (Ref: Para. 16(b))  | Significant Difficulties Encountered during the Audit (Ref: <del>Para. 16</del> par. 12(b))   | <i>Significant Difficulties Encountered During the Audit (Ref: par. 12b)</i>  |   |
| A21. Significant difficulties encountered during the audit may include such matters as:   | A30. <del>A21.</del> Significant difficulties encountered during the audit may include such matters as:   | <del>A30.</del> <u>A26.</u> Significant difficulties encountered during the audit may include matters such as   |   |
| <ul style="list-style-type: none"> <li>Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the auditor to perform the auditor's procedures.</li> </ul> | <ul style="list-style-type: none"> <li>Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the auditor to perform the auditor's procedures.</li> </ul> | <ul style="list-style-type: none"> <li>significant delays <u>by</u> <del>in</del> management, <u>the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the auditor to perform the auditor's procedures</u> <del>providing required information.</del></li> </ul> | C – added to address requirements in ISA 701  |
| <ul style="list-style-type: none"> <li>An unreasonably brief time within which to complete the audit.</li> </ul>  | <ul style="list-style-type: none"> <li>An unreasonably brief time within which to complete the audit.</li> </ul>  | <ul style="list-style-type: none"> <li>an <u>unreasonably</u> <del>unnecessarily</del> brief time within which to complete the audit.</li> </ul>  | Clarity converged with the ISA at that time - this wording was changed in 260 (revised) so TF converged with new wording. |
| <ul style="list-style-type: none"> <li>Extensive unexpected effort required to obtain sufficient appropriate audit evidence.</li> </ul>   | <ul style="list-style-type: none"> <li>Extensive unexpected effort required to obtain sufficient appropriate audit evidence.</li> </ul>   | <ul style="list-style-type: none"> <li>extensive unexpected effort required to obtain sufficient appropriate audit evidence.</li> </ul>   |   |
| <ul style="list-style-type: none"> <li>The unavailability of expected information.</li> </ul>   | <ul style="list-style-type: none"> <li>The unavailability of expected information.</li> </ul>   | <ul style="list-style-type: none"> <li>the unavailability of expected information.</li> </ul>   |   |

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| <b>ISA 260 (Revised)</b>   | <b>ISA 260 (marked to proposed SAS)</b>  | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>   | <b>Comments</b>   |
| <ul style="list-style-type: none"> <li>Restrictions imposed on the auditor by management.</li> </ul>   | <ul style="list-style-type: none"> <li>Restrictions imposed on the auditor by management.</li> </ul>   | <ul style="list-style-type: none"> <li>restrictions imposed on the auditor by management.</li> </ul>  |   |
| <ul style="list-style-type: none"> <li>Management’s unwillingness to make or extend its assessment of the entity’s ability to continue as a going concern when requested.</li> </ul> | <ul style="list-style-type: none"> <li>Management’s unwillingness to <del>perform make</del>—or extend its <del>evaluation assessment</del>—of the entity’s ability to continue as a going concern <u>to meet the period of time required by the applicable financial reporting framework</u> when requested.</li> </ul> | <ul style="list-style-type: none"> <li>management’s unwillingness to <del>perform or extend its evaluation of the provide information about management’s plans for dealing with the adverse effects of the conditions or events that lead the auditor to believe there is substantial doubt about the</del> entity's ability to continue as a going concern <u>to meet the period of time required by the applicable financial reporting framework when requested.</u></li> </ul> | B – Revised for new GC standard - aligned with paragraph A58 of SAS 132 |
| In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor’s opinion. <sup>31</sup>                                      | In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor’s opinion. <sup>32</sup>  | In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor’s opinion.   | B - Footnote not included in extant                                     |
|  | <i><u>Other Findings or Issues</u></i>   | <i>Other Findings or Issues</i>   | B – clarity changes   |

<sup>31</sup> ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

<sup>32</sup> ~~ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*~~

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| ISA 260 (Revised) | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments            |
|                   | <p>A31. <del>A27</del>—<u>The auditor may become aware that the entity is subject to an audit requirement that is not encompassed in the terms of the engagement. The communication to those charged with governance that an audit conducted in accordance with GAAS may not satisfy the relevant legal, regulatory, or contractual requirements may be necessary if, for example, an entity engages an auditor to perform an audit of its financial statements in accordance with GAAS and the auditor becomes aware that by law, regulation, or contractual agreement the entity also is required to have an audit performed in accordance with one or more of the following:</u></p> | <p><del>A31, A27</del> The auditor may become aware that the entity is subject to an audit requirement that is not encompassed in the terms of the engagement. The communication to those charged with governance that an audit conducted in accordance with GAAS may not satisfy the relevant legal, regulatory, or contractual requirements may be necessary if, for example, an entity engages an auditor to perform an audit of its financial statements in accordance with GAAS and the auditor becomes aware that by law, regulation, or contractual agreement the entity also is required to have an audit performed in accordance with one or more of the following:</p> | B - Clarity changes |
|                   | <p><u>a. <i>Government Auditing Standards</i></u></p>   | <p>a. <i>Government Auditing Standards</i></p>   |                     |
|                   | <p><u>b. <i>OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations</i></u></p>   | <p>b. <i>OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations</i></p>   |                     |
|                   | <p><u>c. <i>Other compliance audit requirements, such as state or local laws</i></u></p>  | <p><b>c. Other compliance audit requirements, such as state or local</b></p>   |                     |

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|--------------------------|---|--|---------------------|
| <b>ISA 260 (Revised)</b> | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>     |
|                          | <a href="#">or program-specific audits under federal audit guides</a>   | <b>laws or program-specific audits under federal audit guides</b>  |                     |
|                          | <a href="#">Disagreements With Management (Ref: par. 12(c))</a>   | <i>Disagreements With Management (Ref: <a href="#">par.-.12c</a>)</i>  |                     |
|                          | A32. <a href="#">Discussions with those charged with governance include any disagreements with management that arose during the audit, regardless of whether they were satisfactorily resolved, about matters that, individually or in the aggregate, could be significant to the entity’s financial statements or the auditor’s report. Disagreements with management may occasionally arise over, among other things, the application of accounting principles to the entity’s specific transactions and events and the basis for management’s judgments about accounting estimates. Disagreements may also arise regarding the scope of the audit, disclosures to be included in the entity’s financial statements, and the wording of the auditor’s report. For purposes of this section, disagreements do not include differences of opinion</a> | <b>A32.-A28</b> Discussions with those charged with governance include any disagreements with management that arose during the audit, regardless of whether they were satisfactorily resolved, about matters that, individually or in the aggregate, could be significant to the entity’s financial statements or the auditor’s report. Disagreements with management may occasionally arise over, among other things, the application of accounting principles to the entity’s specific transactions and events and the basis for management’s judgments about accounting estimates. Disagreements may also arise regarding the scope of the audit, disclosures to be included in the entity’s financial statements, and the wording of the auditor’s report. For purposes of this section, disagreements do not include differences of opinion | B - Clarity changes |

Proposed SAS AU-C 260  
ASB Meeting, May 15-18, 2017

| A   | B   | C  | D                                  |
|---|---|--|------------------------------------|
| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>                                  | <b>Comments</b>                    |
|   | <a href="#">based on incomplete facts or preliminary information that are later resolved.</a> | based on incomplete facts or preliminary information that are later resolved.          |                                    |
|   | <a href="#">Uncorrected Misstatements (Ref: par. 13)</a>                                      | <i>Uncorrected Misstatements (Ref: par. -13)</i>                                       |                                    |
| <i>ISA 450 (Revised), par. A26. If uncorrected misstatements have been communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, they need not be communicated again with those same person(s) in their governance role. The auditor nonetheless has to be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity.<sup>33</sup></i> |   |  |                                    |
| <i>ISA 450 (Revised), par. A27. Where there is a large number of individual immaterial uncorrected</i>  | A33. <a href="#">The auditor is not required to accumulate misstatements that the</a>         | <del>A33.</del> <del>A29</del> The auditor is not required to accumulate misstatements | B - Clarity changes – from ISA 450 |

<sup>33</sup> ISA 260 (Revised), paragraph 13

Proposed SAS AU-C 260  
ASB Meeting, May 15-18, 2017

| A  | B   | C  | D                                  |
|--|---|--|------------------------------------|
| <b>ISA 260 (Revised)</b>   | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>                    |
| <i>misstatements, the auditor may communicate the number and overall monetary effect of the uncorrected misstatements, rather than the details of each individual uncorrected misstatement.</i>  | <a href="#">auditor believes are trivial.</a> <sup>fn 4</sup> <a href="#">When there are a large number of individually immaterial uncorrected misstatements, the auditor may communicate the number and overall monetary effect of the uncorrected misstatements, rather than the details of each individual uncorrected misstatement.</a> | that the auditor believes are trivial. <sup>fn 4</sup> When there are a large number of individually immaterial uncorrected misstatements, the auditor may communicate the number and overall monetary effect of the uncorrected misstatements, rather than the details of each individual uncorrected misstatement. |                                    |
| <i>ISA 450, par. A28. ISA 260 (Revised) requires the auditor to communicate with those charged with governance the written representations the auditor is requesting (see paragraph 14 of ISA 450 (Revised)).<sup>34</sup> The auditor may discuss with those charged with governance the reasons for, and the</i> | A34. <a href="#">The auditor may discuss with those charged with governance the reasons for, and the implications of, a failure to correct misstatements, taking into account the size and nature of the misstatement judged in the surrounding circumstances, and possible</a>   | <del>A34.</del> <del>A30</del> The auditor may discuss with those charged with governance the reasons for, and the implications of, a failure to correct misstatements, taking into account the size and nature of the misstatement judged in the surrounding circumstances, and possible                            | B - Clarity changes – from ISA 450 |

<sup>fn 4</sup> [Paragraph .05 of section 450, Evaluation of Misstatements Identified During the Audit.](#)

<sup>fn 4</sup> Paragraph .05 of section 450, *Evaluation of Misstatements Identified During the Audit.*

<sup>34</sup> ISA 260 (Revised), paragraph 16(c)(ii)

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ASB Meeting, May 15-18, 2017

| A   | B   | C  | D                       |
|---|---|--|-------------------------|
| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>         |
| <i>implications of, a failure to correct misstatements, having regard to the size and nature of the misstatement judged in the surrounding circumstances, and possible implications in relation to future financial statements.</i> | <a href="#">implications with regard to future financial statements.</a>  | implications with regard to future financial statements.   |                         |
|   | <a href="#">Corrected Misstatements (Ref: par. 14a)</a>   | <i>Corrected Misstatements (Ref: par. -14a)</i>  | B - Clarity changes     |
|   | A35. <del>A31</del> —The auditor also may <a href="#">communicate corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements.</a> | <del>A35</del> — <del>A31</del> The auditor also may communicate corrected immaterial misstatements, such as frequently recurring immaterial misstatements that may indicate a particular bias in the preparation of the financial statements. | B - Clarity changes     |
| Significant Matters Discussed, or Subject to Correspondence with Management (Ref: Para. 16(c)(i))   | Significant <a href="#">Findings or Issues Matters</a> Discussed, or Subject to Correspondence with Management (Ref: <del>par. 14(b)</del> <del>Para. 16(e)(i)</del> )  | <i>Significant Findings or Issues Discussed or Subject to Correspondence With Management (Ref: par. -14b)</i>  | Clarity wording changes |
| A22. Significant matters discussed, or subject to correspondence with management may include such matters as:   | A36. <del>A22</del> —Significant <a href="#">findings or issues matters</a> —discussed, or subject to correspondence with management may include such matters as:   | <del>A36</del> — <del>A32</del> Significant findings or issues discussed, or the subject of correspondence, with management may include matters such as  |                         |

Proposed SAS AU-C 260  
ASB Meeting, May 15-18, 2017

| A  | B   | C  | D   |
|--|---|--|---|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments  |
| <ul style="list-style-type: none"> <li>Significant events or transactions that occurred during the year.</li> </ul>  | <ul style="list-style-type: none"> <li>Significant events or transactions that occurred during the year.</li> </ul>   | <ul style="list-style-type: none"> <li><a href="#">Significant events or transactions that occurred during the year.</a></li> </ul>  | C – Added to converge with ISA 260 (R) – change made for ISA 701  |
| <ul style="list-style-type: none"> <li>Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement.</li> </ul>  | <ul style="list-style-type: none"> <li>Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement.</li> </ul>   | <ul style="list-style-type: none"> <li>business conditions affecting the entity and business plans and strategies that may affect the risks of material misstatement.</li> </ul>   |   |
| <ul style="list-style-type: none"> <li>Concerns about management’s consultations with other accountants on accounting or auditing matters.</li> </ul>  | <p><del>Concerns about management’s consultations with other accountants on accounting or auditing matters.</del></p>   |  | B - Clarity did not include this item   |
| <ul style="list-style-type: none"> <li>Discussions or correspondence in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services.</li> </ul> | <ul style="list-style-type: none"> <li>Discussions or correspondence in connection with the initial or recurring appointment of the auditor <a href="#">including, among other matters, any discussions or correspondence regarding accounting practices or</a> the application of auditing standards, <del>or fees for audit or other services.</del></li> </ul> | <ul style="list-style-type: none"> <li>discussions or correspondence in connection with the initial or recurring engagement of the auditor including, among other matters, any discussions or correspondence regarding accounting practices or the application of auditing standards.</li> </ul> | B - Clarity changes   |
| <ul style="list-style-type: none"> <li>Significant matters on which there was disagreement with management, except for initial differences of opinion because of</li> </ul>  | <ul style="list-style-type: none"> <li><del>Significant matters on which there was disagreement with management, except for initial differences of opinion because of</del></li> </ul>  | <ul style="list-style-type: none"> <li><a href="#">Significant matters on which there was disagreement with management, except for initial differences of opinion because of</a></li> </ul>  | C - not included in proposed SAS because disagreements with management is addressed in paragraph 12(c) and A32. |

Proposed SAS AU-C 260  
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| A  | B   | C   | D   |
|--|---|---|---|
| <b>ISA 260 (Revised)</b>   | <b>ISA 260 (marked to proposed SAS)</b>   | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>   | <b>Comments</b>   |
| incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.   | <del>incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.</del>   | <del>incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information.</del>   |   |
|  | <u>Written Representations (Ref: par. 14(d))</u>  | <i>Written Representations (Ref: par. -14d)</i>   | B - Clarity changes   |
|  | A37. <u>The auditor may provide those charged with governance with a copy of management’s written representations.</u>  | <del>A37.</del> A33 The auditor may provide those charged with governance with a copy of management’s written representations.  | B - Clarity changes   |
| Circumstances that Affect the Form and Content of the Auditor’s Report (Ref: Para 16(d))   | Circumstances that Affect the Form and Content of the Auditor’s Report (Ref: <del>Para 16</del> 12(d))  | <u>Circumstances that Affect the Form and Content of the Auditor’s Report (Ref: par. 12(d))</u>   | C – added for 701   |
| A23. ISA 210 requires the auditor to agree the terms of the audit engagement with management or those charged with governance, as appropriate. <sup>35</sup> The agreed terms of the audit engagement are required to be recorded in an audit engagement letter or other suitable form | A38. <del>A23.</del> <u>AU-C section ISA-210</u> requires the auditor to agree <u>upon</u> the terms of the audit engagement with management or those charged with governance, as appropriate. <sup>37</sup> The agreed terms of the audit engagement are required to be recorded in an audit | <u>A38. AU-C section 210 requires the auditor to agree upon the terms of the audit engagement with management or those charged with governance, as appropriate.<sup>39</sup> The agreed terms of the audit engagement are required to be recorded in an audit engagement letter</u> | C – added for 701 (note: the TF conformed the wording to AU-C 210 and uses the word “upon”) |

<sup>35</sup> ISA 210, paragraph 9

<sup>37</sup> AU-C section ISA-210, paragraph 9

<sup>39</sup> AU-C section 210, paragraph 9

Proposed SAS AU-C 260  
ASB Meeting, May 15-18, 2017

| A  | B  | C   | D   |
|--|--|---|---|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments                                      |
| <p>of written agreement and include, among other things, reference to the expected form and content of the auditor’s report.<sup>36</sup> As explained in paragraph A9, if the terms of engagement are not agreed with those charged with governance, the auditor may provide those charged with governance with a copy of the engagement letter to communicate about matters relevant to the audit. The communication required by paragraph 16(d) is intended to inform those charged with governance about circumstances in which the auditor’s report may differ from its expected form and content or may include additional information about the audit that was performed.</p> | <p>engagement letter or other suitable form of written agreement and include, among other things, reference to the expected form and content of the auditor’s report.<sup>38</sup> As explained in paragraph A13A9, if the terms of engagement are not agreed upon with those charged with governance, the auditor may provide those charged with governance with a copy of the engagement letter in order to communicate about matters relevant to the audit. The communication required by paragraph 1612(d) is intended to inform those charged with governance about circumstances in which the auditor’s report may differ from its expected form and content or may include additional information about the audit that was performed.</p> | <p><u>or other suitable form of written agreement and include, among other things, reference to the expected form and content of the auditor’s report.<sup>40</sup> As explained in paragraph A13, if the terms of engagement are not agreed upon with those charged with governance, the auditor may provide those charged with governance with a copy of the engagement letter in order to communicate about matters relevant to the audit. The communication required by paragraph 12(d) is intended to inform those charged with governance about circumstances in which the auditor’s report may differ from its expected form and content or may include additional information about the audit that was performed.</u></p> |   |
| <p>A24. Circumstances in which the auditor is required or may otherwise</p>  | <p>A39. <del>A24.</del> Circumstances in which the auditor is required or may otherwise</p>  | <p><u>A39. Circumstances in which the auditor is required or may otherwise</u></p>  | <p>C – added as part of reporting project</p> |

<sup>36</sup> ISA 210, paragraph 10

<sup>38</sup> [AU-C section ISA 210, paragraph 10](#)

<sup>40</sup> [AU-C section 210, paragraph 10](#)

Proposed SAS AU-C 260  
ASB Meeting, May 15-18, 2017

| A  | B  | C   | D   |
|--|--|---|---|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments  |
| consider it necessary to include additional information in the auditor’s report in accordance with the ISAs, and for which communication with those charged with governance is required, include when: | consider it necessary to include additional information in the auditor’s report in accordance with <u>GAAS</u> <del>the ISAs</del> , and for which communication with those charged with governance is required, include when:                                       | <u>consider it necessary to include additional information in the auditor’s report in accordance with GAAS, and for which communication with those charged with governance is required, include when:</u> |   |
| <ul style="list-style-type: none"> <li>The auditor expects to modify the opinion in the auditor’s report in accordance with ISA 705 (Revised).<sup>41</sup></li> </ul>                                 | <ul style="list-style-type: none"> <li>The auditor expects to modify the opinion in the auditor’s report in accordance with <u>proposed AU-C section</u><del>ISA-705 (Revised)</del>.<sup>42</sup></li> </ul>  | <ul style="list-style-type: none"> <li><u>The auditor expects to modify the opinion in the auditor’s report in accordance with proposed AU-C section 705.</u><sup>43</sup></li> </ul>                     |   |
| <ul style="list-style-type: none"> <li>A material uncertainty related to going concern is reported in accordance with ISA 570 (Revised).<sup>44</sup></li> </ul>                                       | <ul style="list-style-type: none"> <li>A <del>material uncertainty related to going concern</del> <u>section is included in the auditor’s report</u> <del>reported</del> in accordance with <u>AU-C section</u><del>ISA 570 (Revised)</del>.<sup>45</sup></li> </ul> | <ul style="list-style-type: none"> <li><u>A going concern section is included in the auditor’s report in accordance with AU-C section 570.</u><sup>46</sup></li> </ul>                                    | C – Added as part of reporting project – Task force revised to reflect new AU-C 570 |

<sup>41</sup> ISA 705 (Revised), paragraph 30

<sup>42</sup> Proposed AU-C section ~~ISA-705 (Revised)~~, paragraph 31~~30~~

<sup>43</sup> Proposed AU-C section 705, paragraph 31

<sup>44</sup> ISA 570 (Revised), *Going Concern*, paragraph 25(d)

<sup>45</sup> AU-C section ~~ISA-570 (Revised)~~, *Going Concern*, paragraph 24~~25(d)~~

<sup>46</sup> AU-C section 570, Going Concern, paragraph 24

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| A   | B   | C  | D  |
|---|---|--|--|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments   |
| <ul style="list-style-type: none"> <li>Key audit matters are communicated in accordance with ISA 701.<sup>47</sup></li> </ul>   | <ul style="list-style-type: none"> <li>Key audit matters are communicated in accordance with <u>proposed AU-C section ISA-701</u>.<sup>48</sup></li> </ul>  | <ul style="list-style-type: none"> <li><u>Key audit matters are communicated in accordance with proposed AU-C section 701</u>.<sup>49</sup></li> </ul>   | C – added to reflect ISA 701   |
| <ul style="list-style-type: none"> <li>The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matters paragraph in accordance with ISA 706 (Revised)<sup>50</sup> or is required to do so by other ISAs.</li> </ul> | <ul style="list-style-type: none"> <li>The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matters paragraph in accordance with <u>proposed AU-C section ISA-706 (Revised)</u><sup>51</sup> or is required to do so by other <u>AU-C sections</u><del>ISAs</del>.</li> </ul> | <ul style="list-style-type: none"> <li><u>The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matters paragraph in accordance with proposed AU-C section 706</u><sup>52</sup> or is required to do so by other <u>AU-C sections</u>.</li> </ul> | C – added to reflect ISA 701   |
| <ul style="list-style-type: none"> <li>The auditor has concluded that there is an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised)<sup>53</sup></li> </ul>   | <ul style="list-style-type: none"> <li><del>The auditor has concluded that there is an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised)</del><sup>54</sup></li> </ul>  |  | Amendment added to ISA 260 (R) as a result of ISA 720 (R) to be proposed as part of AU-C 720 ED therefore not included in proposed SAS placeholder |

<sup>47</sup> ISA 701, paragraph 17

<sup>48</sup> Proposed AU-C section ~~ISA-701~~, paragraph- ~~16~~<sup>17</sup>

<sup>49</sup> ISA 701, paragraph 17

<sup>50</sup> ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 12

<sup>51</sup> Proposed AU-C section ~~ISA-706 (Revised)~~, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 12

<sup>52</sup> Proposed AU-C section 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 12

<sup>53</sup> ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, paragraph 18(a)

<sup>54</sup> Proposed AU-C section 720, *The Auditor's Responsibilities Relating to Other Information*, paragraph xx

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| A  | B  | C  | D  |
|--|--|--|--|
| <b>ISA 260 (Revised)</b>   | <b>ISA 260 (marked to proposed SAS)</b>  | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>  |
| In such circumstances, the auditor may consider it useful to provide those charged with governance with a draft of the auditor’s report to facilitate a discussion of how such matters will be addressed in the auditor’s report.  | In such circumstances, the auditor may consider it useful to provide those charged with governance with a draft of the auditor’s report to facilitate a discussion of how such matters will be addressed in the auditor’s report.  | <a href="#"><u>In such circumstances, the auditor may consider it useful to provide those charged with governance with a draft of the auditor’s report to facilitate a discussion of how such matters will be addressed in the auditor’s report.</u></a> | C – Added to ISA 260(R) to address requirements in ISA 701 |
| A25. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor’s report in accordance with ISA 700 (Revised), the auditor is required to discuss this intention with those charged with governance to inform the auditor’s assessment of the likelihood and severity of a significant personal security threat. <sup>55</sup> The auditor also may communicate with those charged with governance in circumstances when the auditor elects not to include the description of the auditor’s responsibilities in the body of the | <del>A25. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor’s report in accordance with ISA 700 (Revised), the auditor is required to discuss this intention with those charged with governance to inform the auditor’s assessment of the likelihood and severity of a significant personal security threat.<sup>57</sup> The auditor also may communicate with those charged with governance in circumstances when the auditor elects not to include the description of the auditor’s responsibilities in the body of the</del> |  | Not applicable in the US                                   |

<sup>55</sup> ISA 700 (Revised), paragraphs 45 and A58

~~<sup>57</sup> ISA 700 (Revised), paragraphs 45 and A58~~

Proposed SAS AU-C 260  
ASB Meeting, May 15-18, 2017

| A   | B  | C  | D   |
|---|--|--|---|
| <b>ISA 260 (Revised)</b>  | <b>ISA 260 (marked to proposed SAS)</b>  | <b>Extant AU-C 260 (marked for proposed AU-C 260)</b>  | <b>Comments</b>   |
| auditor's report as permitted by ISA 700 (Revised). <sup>56</sup>   | <a href="#">auditor's report as permitted by ISA 700 (Revised).</a> <sup>58</sup>  |  |   |
| Other Significant Matters Relevant to the Financial Reporting Process (Ref: Para. 16(E))  | Other Significant Matters Relevant to the Financial Reporting Process (Ref: <del>Para. 16(E)</del> par. 12(e))   | <a href="#">Other Significant Matters Relevant to the Financial Reporting Process (Ref: Para. 12(e))</a>   |   |
| A26. ISA 300 <sup>59</sup> notes that, as a result of unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures, the auditor may need to modify the overall audit strategy and audit plan and thereby the resulting | A40. <del>A26.</del> <a href="#">AU-C section ISA-300</a> <sup>60</sup> notes that, as a result of unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures, the auditor may need to modify the overall audit strategy and audit plan and thereby the resulting | <a href="#">A40. AU-C section 300</a> <sup>61</sup> notes that, as a result of unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures, the auditor may need to modify the overall audit strategy and audit plan and thereby the resulting | C - Added to ISA 260 (Revised) as part of the auditor reporting project |

<sup>56</sup> ISA 700 (Revised), paragraph 40

<sup>58</sup> ~~ISA 700 (Revised), paragraph 40~~

\*\*\*\*\* *an Audit of Financial Statements*, paragraph A13

<sup>59</sup> [AU-C section 300, Planning an Audit, paragraph A15](#)

<sup>60</sup> [AU-C section 300, Planning an Audit, paragraph A15](#)

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<sup>61</sup> [AU-C section 300, Planning an Audit, paragraph A15](#)

Proposed SAS AU-C 260  
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| A   | B  | C  | D  |
|---|--|--|--|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments   |
| planned nature, timing and extent of further audit procedures, based on the revised consideration of assessed risks. The auditor may communicate with those charged with governance about such matters, for example, as an update to initial discussions about the planned scope and timing of the audit.                                     | planned nature, timing and extent of further audit procedures, based on the revised consideration of assessed risks. The auditor may communicate with those charged with governance about such matters, for example, as an update to initial discussions about the planned scope and timing of the audit.  | <u>planned nature, timing and extent of further audit procedures, based on the revised consideration of assessed risks. The auditor may communicate with those charged with governance about such matters, for example, as an update to initial discussions about the planned scope and timing of the audit.</u> |  |
| A27. Other significant matters arising from the audit that are directly relevant to those charged with governance in overseeing the financial reporting process may include such matters as material misstatements of fact or material inconsistencies in information accompanying the audited financial statements that have been corrected. | <del>A27. Other significant matters arising from the audit that are directly relevant to those charged with governance in overseeing the financial reporting process may include such matters as material misstatements of fact or material inconsistencies in information accompanying the audited financial statements that have been corrected.</del> |  | B - Clarity did not include this content therefore removed |
| A28. To the extent not already addressed by the requirements in paragraphs 16(a)–(d) and related application material, the auditor may consider communicating about other matters discussed with, or considered by, the engagement quality control  | <b>A41.</b> <del>A28.</del> To the extent not already addressed by the requirements in paragraphs <del>16</del> 12(a)–(d) and related application material, the auditor may consider communicating about other matters discussed with, or considered by, the engagement quality control reviewer, if one has been appointed, in                          | <u>A41. To the extent not already addressed by the requirements in paragraphs 12(a)–(d) and related application material, the auditor may consider communicating about other matters discussed with, or considered by, the engagement quality control reviewer, if one has been appointed, in</u>                | C – Added to ISA 260 to address requirements in ISA 701    |

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| A   | B  | C  | D   |
|---|--|--|---|
| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)                 | Comments  |
| reviewer, if one has been appointed, in accordance with ISA 220. <sup>62</sup>  | accordance with <del>ISA—AU-C section 220.</del> <sup>63</sup>   | <del>accordance with AU-C section ISA 220.</del> <sup>64</sup> |   |
| <i>Supplementary Matters</i> (Ref: Para. 3)   | <del><i>Supplementary Matters</i> (Ref: Para. 3)</del>   |  | B - Not included in clarified SAS   |
| A33. The oversight of management by those charged with governance includes ensuring that the entity designs, implements and maintains appropriate internal control with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. | <del>A33. The oversight of management by those charged with governance includes ensuring that the entity designs, implements and maintains appropriate internal control with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.</del> |  | B - Not included in clarified SAS<br><br>TF reaffirmed that GAAS would not preclude the auditor from including additional content and therefore this section is not needed. |
| A34. The auditor may become aware of supplementary matters that do not necessarily relate to the oversight of the financial reporting process but which   | <del>A34. The auditor may become aware of supplementary matters that do not necessarily relate to the oversight of the financial reporting process but which</del>   |  | B - Not included in clarified SAS   |

[. paragraph A15](#)

<sup>60</sup> [AU-C section 300, \*Planning an Audit\*, paragraph A15](#)

\*\*\**an Audit of Financial Statements.*

<sup>63</sup> See paragraphs 19–22 and A23–A32 of ISA 220, *Quality Control for an Audit of Financial Statements.*

<sup>64</sup> See paragraphs 21–22 and A23–A31 of AU-C section 220, *Quality Control for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards.*

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| A  | B   | C  | D                                 |
|--|---|--|-----------------------------------|
| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)  | Extant AU-C 260 (marked for proposed AU-C 260) | Comments                          |
| are, nevertheless, likely to be significant to the responsibilities of those charged with governance in overseeing the strategic direction of the entity or the entity's obligations related to accountability. Such matters may include, for example, significant issues regarding governance structures or processes, and significant decisions or actions by senior management that lack appropriate authorization. | <del>are, nevertheless, likely to be significant to the responsibilities of those charged with governance in overseeing the strategic direction of the entity or the entity's obligations related to accountability. Such matters may include, for example, significant issues regarding governance structures or processes, and significant decisions or actions by senior management that lack appropriate authorization.</del> |  |                                   |
| A35. In determining whether to communicate supplementary matters with those charged with governance, the auditor may discuss matters of this kind of which the auditor has become aware with the appropriate level of management, unless it is inappropriate to do so in the circumstances.  | <del>A35. In determining whether to communicate supplementary matters with those charged with governance, the auditor may discuss matters of this kind of which the auditor has become aware with the appropriate level of management, unless it is inappropriate to do so in the circumstances.</del>  |  | B - Not included in clarified SAS |
| A36. If a supplementary matter is communicated, it may be appropriate for the auditor to make those charged with governance aware that:  | <del>A36. If a supplementary matter is communicated, it may be appropriate for the auditor to make those charged with governance aware that:</del>  |  | B - Not included in clarified SAS |
| (a) Identification and communication of such matters is  | <del>(a) Identification and communication of such matters is</del>  |  | B - Not included in clarified SAS |

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|--|---|---|-----------------------------------|
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| incidental to the purpose of the audit, which is to form an opinion on the financial statements;   | <del>incidental to the purpose of the audit, which is to form an opinion on the financial statements;</del>   |   |                                   |
| (b) No procedures were carried out with respect to the matter other than any that were necessary to form an opinion on the financial statements; and   | <del>(b) No procedures were carried out with respect to the matter other than any that were necessary to form an opinion on the financial statements; and</del>   |   | B - Not included in clarified SAS |
| (c) No procedures were carried out to determine whether other such matters exist.  | <del>(c) No procedures were carried out to determine whether other such matters exist.</del>  |   | B - Not included in clarified SAS |
| <b>The Communication Process</b>   | <b>The Communication Process</b>  | The Communication Process   |                                   |
| <i>Establishing the Communication Process</i> (Ref: Para. 18)  | <i>Establishing the Communication Process</i> (Ref: <del>Para. 18</del> par. 15)  | <b>Establishing the Communication Process (Ref: par. 15)</b>  |                                   |
| A37. Clear communication of the auditor’s responsibilities, the planned scope and timing of the audit, and the expected general content of communications helps establish the basis for effective two-way communication. | A42. <del>A37.</del> Clear communication of the <del>following auditor’s responsibilities, the planned scope and timing of the audit, and the expected general content of communications</del> helps establish the basis for effective two-way communication. | <del>A42.</del> <del>A34.</del> Clear communication of the following helps establish the basis for effective two-way communication: | B - Clarity wording changes       |

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|  | <ul style="list-style-type: none"> <li><a href="#">The auditor's responsibilities (paragraphs 10 and A20-A23)</a></li> </ul>   | <ul style="list-style-type: none"> <li>The auditor's responsibilities (paragraphs -10 and <del>A20-23</del>)</li> </ul>   | B - Clarity changes         |
|  | <ul style="list-style-type: none"> <li><a href="#">An overview of the planned scope and timing of the audit (paragraphs 11 and A24-A28)</a></li> </ul>   | <ul style="list-style-type: none"> <li>An overview of the planned scope and timing of the audit (paragraphs -11 and <del>A24-28</del>)</li> </ul>   | B - Clarity changes         |
|  | <ul style="list-style-type: none"> <li><a href="#">The expected general content of communications</a></li> </ul>   | <ul style="list-style-type: none"> <li>The expected general content of communications</li> </ul>  | B - Clarity changes         |
| A38. Matters that may also contribute to effective two-way communication include discussion of:  | <b>A43.</b> <del>A38.</del> —Matters that may also contribute to effective two-way communication include discussion of:  | <del>A43.</del> <b>A35</b> Matters that may also contribute to effective two-way communication include discussion of  |                             |
| <ul style="list-style-type: none"> <li>The purpose of communications. When the purpose is clear, the auditor and those charged with governance are better placed to have a mutual understanding of relevant issues and the expected actions arising from the communication process.</li> </ul> | <ul style="list-style-type: none"> <li>The purpose of communications. When the purpose is clear, the auditor and those charged with governance are <a href="#">in a better position placed</a> to have a mutual understanding of relevant issues and the expected actions arising from the communication process.</li> </ul> | <ul style="list-style-type: none"> <li>the purpose of communications. When the purpose is clear, the auditor and those charged with governance are in a better position to have a mutual understanding of relevant issues and the expected actions arising from the communication process.</li> </ul> | B - Clarity wording changes |
| <ul style="list-style-type: none"> <li>The form in which communications will be made.</li> </ul>   | <ul style="list-style-type: none"> <li>The form in which communications will be made.</li> </ul>   | <ul style="list-style-type: none"> <li>the form in which communications will be made.</li> </ul>  |                             |
| <ul style="list-style-type: none"> <li>The person(s) in the engagement team and among those charged with</li> </ul>  | <ul style="list-style-type: none"> <li>The person(s) <del>on</del> the <a href="#">audit engagement</a> team and among those</li> </ul>  | <ul style="list-style-type: none"> <li>the person(s) on the audit team and among those charged with</li> </ul>  | B - Clarity wording changes |

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| ISA 260 (Revised)  | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)  | Comments |
| governance who will communicate regarding particular matters.  | charged with governance who will communicate regarding particular matters.   | governance who will communicate regarding particular matters.   |          |
| <ul style="list-style-type: none"> <li>The auditor's expectation that communication will be two-way, and that those charged with governance will communicate with the auditor matters they consider relevant to the audit, for example, strategic decisions that may significantly affect the nature, timing and extent of audit procedures, the suspicion or the detection of fraud, and concerns with the integrity or competence of senior management.</li> </ul> | <ul style="list-style-type: none"> <li>The auditor's expectation that communication will be two-way, and that those charged with governance will communicate with the auditor matters they consider relevant to the audit. <u>Such matters might include, for example, (a) strategic decisions that may significantly affect the nature, timing and extent of audit procedures; (b) the suspicion or the detection of fraud; or (c) concerns with the integrity or competence of senior management.</u></li> </ul> | <ul style="list-style-type: none"> <li>the auditor's expectation that communication will be two-way and that those charged with governance will communicate with the auditor matters they consider relevant to the audit. Such matters might include (a) strategic decisions that may significantly affect the nature, timing, and extent of audit procedures; (b) the suspicion or the detection of fraud; or (c) concerns with the integrity or competence of senior management.</li> </ul> |          |
| <ul style="list-style-type: none"> <li>The process for taking action and reporting back on matters communicated by the auditor.</li> </ul>   | <ul style="list-style-type: none"> <li>The process for taking action and reporting back on matters communicated by the auditor.</li> </ul>   | <ul style="list-style-type: none"> <li>the process for taking action and reporting back on matters communicated by the auditor.</li> </ul>  |          |
| <ul style="list-style-type: none"> <li>The process for taking action and reporting back on matters communicated by those charged with governance.</li> </ul>   | <ul style="list-style-type: none"> <li>The process for taking action and reporting back on matters communicated by those charged with governance.</li> </ul>   | <ul style="list-style-type: none"> <li>the process for taking action and reporting back on matters communicated by those charged with governance.</li> </ul>  |          |

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| <p>A39. The communication process will vary with the circumstances, including the size and governance structure of the entity, how those charged with governance operate, and the auditor’s view of the significance of matters to be communicated. Difficulty in establishing effective two-way communication may indicate that the communication between the auditor and those charged with governance is not adequate for the purpose of the audit (see paragraph A52).</p> | <p><b>A44.</b> <del>A39.</del>—The communication process will vary with the circumstances, including the size and governance structure of the entity, how those charged with governance operate, and the auditor’s view of the significance of matters to be communicated. Difficulty in establishing effective two-way communication may indicate that the communication between the auditor and those charged with governance is not adequate for the purpose of the audit (see paragraph <del>A52</del>A53).</p> | <p><del>A44.</del><del>A36</del> The communication process will vary with the circumstances, including the size and governance structure of the entity, how those charged with governance operate, and the auditor’s view of the significance of matters to be communicated. Difficulty in establishing effective two-way communication may indicate that the communication between the auditor and those charged with governance is not adequate for the purpose of the audit (see paragraph <del>A53</del>44).</p> |   |
| <p>Considerations Specific to Smaller Entities</p>   | <p><del>Considerations Specific to Smaller Entities</del></p>   |  |   |
| <p>A40. In the case of audits of smaller entities, the auditor may communicate in a less structured manner with those charged with governance than in the case of listed or larger entities.</p>   | <p><del>A40. In the case of audits of smaller entities, the auditor may communicate in a less structured manner with those charged with governance than in the case of listed or larger entities.</del></p>   |  | <p>B - Clarity excluded this because not necessary guidance</p> |

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| ISA 260 (Revised)   | ISA 260 (marked to proposed SAS)   | Extant AU-C 260 (marked for proposed AU-C 260)   | Comments                    |
| Communication with Management   | Communication with Management  | <i>Communication With Management</i>   |                             |
| A41. Many matters may be discussed with management in the ordinary course of an audit, including matters required by this ISA to be communicated with those charged with governance. Such discussions recognize management’s executive responsibility for the conduct of the entity’s operations and, in particular, management’s responsibility for the preparation of the financial statements.         | <b>A45.</b> <del>A41.</del> —Many matters may be discussed with management in the ordinary course of an audit, including matters <del>required by this ISA</del> to be communicated with those charged with governance <u>in accordance with this proposed SAS</u> . Such discussions recognize management’s executive responsibility for the conduct of the entity’s operations and, in particular, management’s responsibility for the preparation <u>and fair presentation</u> of the financial statements. | <del>.A45</del> <sup>37</sup> Many matters may be discussed with management in the ordinary course of an audit, including matters to be communicated with those charged with governance in accordance with this <u>proposed SAS section</u> . Such discussions recognize management’s executive responsibility for the conduct of the entity’s operations and, in particular, management’s responsibility for the preparation and fair presentation of the financial statements. | B - Clarity wording changes |
| A42. Before communicating matters with those charged with governance, the auditor may discuss them with management, unless that is inappropriate. For example, it may not be appropriate to discuss questions of management’s competence or integrity with management. In addition to recognizing management’s executive responsibility, these initial discussions may clarify facts and issues, and give | <b>A46.</b> <del>A42.</del> —Before communicating matters with those charged with governance, the auditor may discuss them with management, unless that is inappropriate. For example, it may not be appropriate to discuss <u>with management</u> questions of management’s competence or integrity <del>with management</del> . In addition to recognizing management’s <del>executive</del> responsibility, these initial discussions   | <del>.A46</del> <sup>38</sup> Before communicating matters with those charged with governance, the auditor may discuss them with management unless that is inappropriate. For example, it may not be appropriate to discuss with management questions of management’s competence or integrity. In addition to recognizing management’s responsibility, these initial discussions may clarify facts and   |                             |

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| management an opportunity to provide further information and explanations. Similarly, when the entity has an internal audit function, the auditor may discuss matters with the internal auditor before communicating with those charged with governance.  | may clarify facts and issues, and give management an opportunity to provide further information and explanations. Similarly, when the entity has an internal audit function, the auditor may discuss matters with the internal auditor before communicating with those charged with governance.  | issues and give management an opportunity to provide further information and explanations. Similarly, when the entity has an internal audit function, the auditor may discuss matters with appropriate individuals within the function before communicating with those charged with governance. |  |
| Communication with Third Parties  | Communication with Third Parties   |   |  |
| A43. Those charged with governance may be required by law or regulation, or may wish, to provide third parties, for example, bankers or certain regulatory authorities, with copies of a written communication from the auditor. In some cases, disclosure to third parties may be illegal or otherwise inappropriate. When a written communication prepared for those charged with governance is provided to third parties, it may be important in the circumstances that the third parties be informed that the communication was not prepared with them in mind, for | <del>A43. Those charged with governance may be required by law or regulation, or may wish, to provide third parties, for example, bankers or certain regulatory authorities, with copies of a written communication from the auditor. In some cases, disclosure to third parties may be illegal or otherwise inappropriate. When a written communication prepared for those charged with governance is provided to third parties, it may be important in the circumstances that the third parties be informed that the communication was not prepared with them in mind, for</del> |   | Application material not needed in proposed SAS because GAAS requires the the auditor to restrict the use of the auditor’s written communication in accordance with AU-C section 905 (see paragraph 17 of the proposed SAS). |

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| example, by stating in written communications with those charged with governance:   | <del>example, by stating in written communications with those charged with governance:</del>   |  |                                    |
| (a) That the communication has been prepared for the sole use of those charged with governance and, where applicable, the group management and the group auditor, and should not be relied upon by third parties;         | <del>(a) That the communication has been prepared for the sole use of those charged with governance and, where applicable, the group management and the group auditor, and should not be relied upon by third parties;</del> |  | Consistent with AU-C 905.07(b)     |
| (b) That no responsibility is assumed by the auditor to third parties; and  | <del>(b) That no responsibility is assumed by the auditor to third parties; and</del>  |  | AU-C 905.07(c)                     |
| (c) Any restrictions on disclosure or distribution to third parties.  | <del>(c) Any restrictions on disclosure or distribution to third parties.</del>  |  | GAAS does not restrict distribuion |
| <del>A44. In some jurisdictions the auditor may be required by law or regulation to, for example:</del>   |  |  | Moved to A5.                       |
| <ul style="list-style-type: none"> <li><del>Notify a regulatory or enforcement body of certain matters communicated with those charged with governance. For example, in some countries the auditor has a</del></li> </ul> |  |  |                                    |

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| <del>duty to report misstatements to authorities where management and those charged with governance fail to take corrective action;</del>   |   |  |                             |
| <ul style="list-style-type: none"> <li><del>Submit copies of certain reports prepared for those charged with governance to relevant regulatory or funding bodies, or other bodies such as a central authority in the case of some public sector entities; or</del></li> </ul> |   |  |                             |
| <ul style="list-style-type: none"> <li><del>Make reports prepared for those charged with governance publicly available.</del></li> </ul>  |   |  |                             |
| <del>A45. Unless required by law or regulation to provide a third party with a copy of the auditor's written communications with those charged with governance, the auditor may need the prior consent of those charged with governance before doing so.</del>                |   |  |                             |
| <i>Forms of Communication</i> (Ref: Para. 19)   | <i>Forms of Communication</i> (Ref: <del>Para. 19</del> <u>par. 16</u> )                | <i>Forms of Communication</i> (Ref: par. -16)                  |                             |
| A46. Effective communication may involve structured presentations and   | <b>A47.</b> <del>A46.</del> Effective communication may involve <u>formalstructured</u> | <del>A47.A39.</del> Effective communication may involve formal | B - Clarity wording changes |

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| written reports as well as less structured communications, including discussions. The auditor may communicate matters other than those identified in paragraphs 19–20 either orally or in writing. Written communications may include an engagement letter that is provided to those charged with governance. | presentations and written reports as well as less <del>formal</del> <u>structured</u> communications, including discussions. The auditor may communicate matters other than those identified in paragraphs <del>19–20</del> <u>16</u> either orally or in writing. Written communications may include an engagement letter that is provided to those charged with governance. | presentations and written reports as well as less formal communications, including discussions. The auditor may communicate matters other than those identified in paragraph <del>16</del> either orally or in writing. Written communications may include an engagement letter that is provided to those charged with governance.    |                       |
| A47. In addition to the significance of a particular matter, the form of communication (e.g., whether to communicate orally or in writing, the extent of detail or summarization in the communication, and whether to communicate in a structured or unstructured manner) may be affected by such factors as: | <b>A48.</b> <del>A47.</del> —In addition to the significance of a particular matter, the form of communication (e.g., whether to communicate orally or in writing, the extent of detail or summarization in the communication, and whether to communicate in a <u>formal or informal</u> <del>structured or unstructured</del> manner) may be affected by such factors as:    | <del>A48.</del> <del>A40</del> In addition to the significance of a particular matter, the form of communication (for example, whether to communicate orally or in writing, the extent of detail or summarization in the communication, and whether to communicate in a formal or informal manner) may be affected by factors such as |                       |
| <ul style="list-style-type: none"> <li>Whether a discussion of the matter will be included in the auditor’s report. For example, when key audit matters are communicated in the auditor’s report, the auditor may consider it necessary to communicate in writing about the</li> </ul>                        | <ul style="list-style-type: none"> <li>Whether a discussion of the matter will be included in the auditor’s report. For example, when key audit matters are communicated in the auditor’s report, the auditor may consider it necessary to communicate in writing about the</li> </ul>  | <ul style="list-style-type: none"> <li><u>Whether a discussion of the matter will be included in the auditor’s report. For example, when key audit matters are communicated in the auditor’s report, the auditor may consider it necessary to communicate in writing about the</u></li> </ul>   | C – added for ISA 701 |

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| matters determined to be key audit matters.  | matters determined to be key audit matters.  | <a href="#">matters determined to be key audit matters.</a>   |                             |
| <ul style="list-style-type: none"> <li>Whether the matter has been satisfactorily resolved.</li> </ul>   | <ul style="list-style-type: none"> <li>Whether the matter has been satisfactorily resolved.</li> </ul>   | <ul style="list-style-type: none"> <li>whether the matter has been satisfactorily resolved.</li> </ul>  |                             |
| <ul style="list-style-type: none"> <li>Whether management has previously communicated the matter.</li> </ul>   | <ul style="list-style-type: none"> <li>Whether management has previously communicated the matter.</li> </ul>   | <ul style="list-style-type: none"> <li>whether management has previously communicated the matter.</li> </ul>  |                             |
| <ul style="list-style-type: none"> <li>The size, operating structure, control environment, and legal structure of the entity.</li> </ul>   | <ul style="list-style-type: none"> <li>The size, operating structure, control environment, and legal structure of the entity <a href="#">being audited</a>.</li> </ul>   | <ul style="list-style-type: none"> <li>the size, operating structure, control environment, and legal structure of the entity being audited.</li> </ul>  |                             |
| <ul style="list-style-type: none"> <li>In the case of an audit of special purpose financial statements, whether the auditor also audits the entity's general purpose financial statements.</li> </ul>  | <ul style="list-style-type: none"> <li>In the case of an audit of special purpose financial statements, whether the auditor also audits the entity's general purpose financial statements.</li> </ul>  | <ul style="list-style-type: none"> <li><a href="#">In the case of an audit of special purpose financial statements, whether the auditor also audits the entity's general purpose financial statements.</a></li> </ul> | Move here from below        |
| <ul style="list-style-type: none"> <li>Legal requirements. In some jurisdictions, a written communication with those charged with governance is required in a prescribed form by local law.</li> </ul> | <ul style="list-style-type: none"> <li>Legal <a href="#">or regulatory</a> requirements <a href="#">that may require</a> . <del>In some jurisdictions,</del> a written communication with those charged with governance <del>is required in a prescribed form by local law.</del></li> </ul> | <ul style="list-style-type: none"> <li>legal or regulatory requirements that may require a written communication with those charged with governance.</li> </ul>   | B - Clarity wording changes |
| <ul style="list-style-type: none"> <li>The expectations of those charged with governance, including arrangements made for periodic</li> </ul>  | <ul style="list-style-type: none"> <li>The expectations of those charged with governance, including arrangements made for periodic</li> </ul>  | <ul style="list-style-type: none"> <li>the expectations of those charged with governance, including arrangements made for periodic</li> </ul>   |                             |

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| meetings or communications with the auditor.   | meetings or communications with the auditor.  | meetings or communications with the auditor.   |                      |
| <ul style="list-style-type: none"> <li>The amount of ongoing contact and dialogue the auditor has with those charged with governance.</li> </ul>   | <ul style="list-style-type: none"> <li>The amount of ongoing contact and dialogue the auditor has with those charged with governance.</li> </ul>  | <ul style="list-style-type: none"> <li>the amount of ongoing contact and dialogue the auditor has with those charged with governance.</li> </ul>   |                      |
| <ul style="list-style-type: none"> <li>Whether there have been significant changes in the membership of a governing body.</li> </ul>   | <ul style="list-style-type: none"> <li>Whether there have been significant changes in the membership of a governing body.</li> </ul>  | <ul style="list-style-type: none"> <li>whether there have been significant changes in the membership of a governing body.</li> </ul>   |                      |
|  |   | <del>in the case of an audit of special purpose financial statements, whether the auditor also audits the entity's general purpose financial statements.</del>   | Moved up on the list |
| A48. When a significant matter is discussed with an individual member of those charged with governance, for example, the chair of an audit committee, it may be appropriate for the auditor to summarize the matter in later communications so that all of those charged with governance have full and balanced information. | A49. <del>A48.</del> When a significant matter is discussed with an individual member of those charged with governance, <u>such as for example,</u> the chair of an audit committee, it may be appropriate for the auditor to summarize the matter in later communications so that all of those charged with governance have full and balanced information. | <del>A49.</del> When a significant matter is discussed with an individual member of those charged with governance, such as the chair of an audit committee, it may be appropriate for the auditor to summarize the matter in later communications so that all of those charged with governance have full and balanced information. |                      |
| <i>Timing of Communications</i> (Ref: Para. 21)  | <i>Timing of Communications</i> (Ref: <del>Para. 21</del> <u>par. 18</u> )  | Timing of Communications (Ref: par. 18)  |                      |

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| <p>A49. Timely communication throughout the audit contributes to the achievement of robust two-way dialogue between those charged with governance and the auditor. However, the appropriate timing for communications will vary with the circumstances of the engagement. Relevant circumstances include the significance and nature of the matter, and the action expected to be taken by those charged with governance. For example:</p> | <p><b>A50.</b> <del>A49.</del>—Timely communication throughout the audit contributes to the achievement of robust two-way dialogue between those charged with governance and the auditor. However, the appropriate timing for communications will vary with the circumstances of the engagement. <del>Considerations</del><u>Relevant circumstances</u> include the significance and nature of the matter, and the action expected to be taken by those charged with governance. For example:</p> | <p><del>A50.42</del> <u>Timely communication throughout the audit contributes to the achievement of robust two-way dialogue between those charged with governance and the auditor. However, the</u> appropriate timing for communications will vary with the circumstances of the engagement. Considerations include the significance and nature of the matter and the action expected to be taken by those charged with governance. <u>For example: The auditor may consider communicating</u></p> | <p>C – New first sentence tie in with ISA 701.</p> <p>B - Clarity wording changes</p> |
| <ul style="list-style-type: none"> <li>Communications regarding planning matters may often be made early in the audit engagement and, for an initial engagement, may be made as part of agreeing the terms of the engagement.</li> </ul>   | <ul style="list-style-type: none"> <li>Communications regarding planning matters may often be made early in the audit engagement and, for an initial engagement, <del>may be made</del> as part of <del>agreeing</del> the terms of the engagement.</li> </ul>  | <ul style="list-style-type: none"> <li><u>Communications regarding planning matters may often be made</u> early in the audit engagement and, for an initial engagement, as part of the terms of the engagement.</li> </ul>  |   |
| <ul style="list-style-type: none"> <li>It may be appropriate to communicate a significant difficulty encountered during the audit as soon as practicable if those charged with governance are able to assist the auditor to overcome the</li> </ul>  | <ul style="list-style-type: none"> <li>It may be appropriate to communicate <del>a</del> significant difficulties<del>y</del> encountered during the audit as soon as practicable if those charged with governance are able to assist the auditor <del>in</del> <u>overcoming</u> the</li> </ul>  | <ul style="list-style-type: none"> <li><u>It may be appropriate to communicate</u> significant difficulties encountered during the audit as soon as practicable if those charged with governance are able to assist the auditor in overcoming the</li> </ul>  | <p>B - Clarity wording changes</p>  |

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| <p>difficulty, or if it is likely to lead to a modified opinion. Similarly, the auditor may communicate orally to those charged with governance as soon as practicable significant deficiencies in internal control that the auditor has identified, prior to communicating these in writing as required by ISA 265.65</p>   | <p>the difficulties<sup>65</sup>, or if <u>the difficulties are it is</u> likely to lead to a modified opinion. <del>Similarly, the auditor may communicate orally to those charged with governance as soon as practicable significant deficiencies in internal control that the auditor has identified, prior to communicating these in writing as required by ISA 265.66</del></p>                  | <p>difficulties or if the difficulties are likely to lead to a modified opinion.</p>  |                    |
| <ul style="list-style-type: none"> <li>When ISA 701 applies, the auditor may communicate preliminary views about key audit matters when discussing the planned scope and timing of the audit (see paragraph A13), and the auditor also may have more frequent communications to further discuss such matters when communicating about significant audit findings.</li> </ul> | <ul style="list-style-type: none"> <li>When ISA 701 applies, the auditor may communicate preliminary views about key audit matters when discussing the planned scope and timing of the audit (see paragraph <del>A13</del>A21), and <del>the auditor also may have more frequent communications</del> to further discuss such matters when communicating about significant audit findings.</li> </ul> | <ul style="list-style-type: none"> <li><u>When ISA 701 applies, the auditor may communicate preliminary views about key audit matters when discussing the planned scope and timing of the audit (see paragraph A21), and more frequent communications to further discuss such matters when communicating about significant audit findings.</u></li> </ul> | C – to reflect 701 |
| <ul style="list-style-type: none"> <li>Communications regarding independence may be appropriate whenever significant judgments are</li> </ul>  | <ul style="list-style-type: none"> <li>Communications regarding independence may be appropriate whenever significant judgments are</li> </ul>   | <ul style="list-style-type: none"> <li><u>Communications regarding independence may be appropriate whenever significant judgments are</u></li> </ul>  |                    |

<sup>65</sup> ISA 265, paragraphs 9 and A14

~~<sup>66</sup> ISA 265, paragraphs 9 and A14~~

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| made about threats to independence and related safeguards, for example, when accepting an engagement to provide non-audit services, and at a concluding discussion.  | <del>made about threats to independence and related safeguards, for example, when accepting an engagement to provide non-audit services, and at a concluding discussion.</del>   | <u>made about threats to independence and related safeguards.</u>   |   |
| <ul style="list-style-type: none"> <li>Communications regarding findings from the audit, including the auditor's views about the qualitative aspects of the entity's accounting practices, may also be made as part of the concluding discussion.</li> </ul> | <ul style="list-style-type: none"> <li>Communications regarding findings from the audit, including the auditor's views about the qualitative aspects of the entity's accounting practices, may also be made <u>at the conclusion of the audit.</u> <del>as part of the concluding discussion.</del></li> </ul> | <ul style="list-style-type: none"> <li><u>Communications regarding findings from the audit, including the auditor's views about the qualitative aspects of the entity's accounting practices may also be made at the conclusion of the audit..</u></li> </ul> |   |
| <ul style="list-style-type: none"> <li>When auditing both general purpose and special purpose financial statements, it may be appropriate to coordinate the timing of communications.</li> </ul>   | <del>When auditing both general purpose and special purpose financial statements, it may be appropriate to coordinate the timing of communications.</del>  |   | Clarity – included as last bullet in next paragraph |
| A50. Other factors that may be relevant to the timing of communications include:   | <b>A51.</b> <del>A50.</del> Other factors that may be relevant to the timing of communications include:  | <del>A51.43</del> Other factors that may be relevant to the timing of communications include  |   |
| <ul style="list-style-type: none"> <li>The size, operating structure, control environment, and legal structure of the entity being audited.</li> </ul>   | <ul style="list-style-type: none"> <li>The size, operating structure, control environment, and legal structure of the entity being audited.</li> </ul>   | <ul style="list-style-type: none"> <li>the size, operating structure, control environment, and legal structure of the entity being audited.</li> </ul>  |   |

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| <ul style="list-style-type: none"> <li>Any legal obligation to communicate certain matters within a specified timeframe.</li> </ul>   | <ul style="list-style-type: none"> <li>Any legal obligation to communicate certain matters within a specified timeframe.</li> </ul>   | <ul style="list-style-type: none"> <li>any legal obligation to communicate certain matters within a specified timeframe.</li> </ul>  |                         |
| <ul style="list-style-type: none"> <li>The expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor.</li> </ul>  | <ul style="list-style-type: none"> <li>The expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor.</li> </ul>  | <ul style="list-style-type: none"> <li>the expectations of those charged with governance, including arrangements made for periodic meetings or communications with the auditor.</li> </ul>                               |                         |
| <ul style="list-style-type: none"> <li>The time at which the auditor identifies certain matters, for example, the auditor may not identify a particular matter (e.g., noncompliance with a law) in time for preventive action to be taken, but communication of the matter may enable remedial action to be taken.</li> </ul> | <ul style="list-style-type: none"> <li>The time at which the auditor identifies certain matters <u>(for example, timely communication of a material weakness to ,—for example, the auditor may not identify a particular matter (e.g., noncompliance with a law) in time for preventive action to be taken, but communication of the matter may enable appropriate remedial action to be taken).</u></li> </ul> | <ul style="list-style-type: none"> <li>the time at which the auditor identifies certain matters (for example, timely communication of a material weakness to enable appropriate remedial action to be taken).</li> </ul> |                         |
|   | <ul style="list-style-type: none"> <li><u>whether the auditor is auditing both general purpose and special purpose financial statements.</u></li> </ul>   | <ul style="list-style-type: none"> <li>whether the auditor is auditing both general purpose and special purpose financial statements.</li> </ul>   | From previous paragraph |
| <i>Adequacy of the Communication Process (Ref: Para. 22)</i>  | <i>Adequacy of the Communication Process (Ref: <a href="#">Para. 22</a><u>par. 19</u>)</i>  | Adequacy of the Communication Process (Ref: par. -19)  |                         |

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| <p>A51. The auditor need not design specific procedures to support the evaluation of the two-way communication between the auditor and those charged with governance; rather, that evaluation may be based on observations resulting from audit procedures performed for other purposes. Such observations may include:</p>  | <p>A52. <del>A51.</del>—The auditor need not design specific procedures to support the evaluation of the two-way communication between the auditor and those charged with governance. <del>Rather;</del> rather, that evaluation may be based on observations resulting from audit procedures performed for other purposes. Such observations may include:</p>   | <p><del>A52.</del><del>A44</del> The auditor need not design specific procedures to support the evaluation of the two-way communication between the auditor and those charged with governance. Rather, that evaluation may be based on observations resulting from audit procedures performed for other purposes. Such observations may include</p>  |          |
| <ul style="list-style-type: none"> <li>The appropriateness and timeliness of actions taken by those charged with governance in response to matters raised by the auditor. Where significant matters raised in previous communications have not been dealt with effectively, it may be appropriate for the auditor to inquire as to why appropriate action has not been taken, and to consider raising the point again. This avoids the risk of giving an impression that the auditor is satisfied that the matter has been adequately</li> </ul> | <ul style="list-style-type: none"> <li>The appropriateness and timeliness of actions taken by those charged with governance in response to matters raised by the auditor. When <del>re</del> significant <u>findings or issues</u> <del>matters</del> raised in previous communications have not been dealt with effectively, it may be appropriate for the auditor to inquire <u>about as to</u> why appropriate action has not been taken, and to consider raising the point again. This avoids the risk of giving an impression that the auditor is satisfied that the matter has been</li> </ul> | <ul style="list-style-type: none"> <li>the appropriateness and timeliness of actions taken by those charged with governance in response to matters communicated by the auditor. When significant findings or issues raised in previous communications have not been dealt with effectively, it may be appropriate for the auditor to inquire about why appropriate action has not been taken and to consider raising the point again. This avoids the risk of giving an impression that the auditor is satisfied that the matter has been</li> </ul> |          |

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| addressed or is no longer significant.   | adequately addressed or is no longer significant.   | adequately addressed or is no longer significant.  |                 |
| <ul style="list-style-type: none"> <li>The apparent openness of those charged with governance in their communications with the auditor.</li> </ul>   | <ul style="list-style-type: none"> <li>The apparent openness of those charged with governance in their communications with the auditor.</li> </ul>  | <ul style="list-style-type: none"> <li>the apparent openness of those charged with governance in their communications with the auditor.</li> </ul>   |                 |
| <ul style="list-style-type: none"> <li>The willingness and capacity of those charged with governance to meet with the auditor without management present.</li> </ul>   | <ul style="list-style-type: none"> <li>The willingness and capacity of those charged with governance to meet with the auditor without management present.</li> </ul>  | <ul style="list-style-type: none"> <li>the willingness and capacity of those charged with governance to meet with the auditor without management present.</li> </ul>   |                 |
| <ul style="list-style-type: none"> <li>The apparent ability of those charged with governance to fully comprehend matters raised by the auditor, for example, the extent to which those charged with governance probe issues, and question recommendations made to them.</li> </ul> | <ul style="list-style-type: none"> <li>The apparent ability of those charged with governance to fully comprehend matters raised by the auditor, <del>such as for example,</del> the extent to which those charged with governance probe issues, and question recommendations made to them.</li> </ul> | <ul style="list-style-type: none"> <li>the apparent ability of those charged with governance to fully comprehend matters raised by the auditor, such as the extent to which those charged with governance probe issues and question recommendations made to them.</li> </ul> |                 |
| <ul style="list-style-type: none"> <li>Difficulty in establishing with those charged with governance a mutual understanding of the form, timing and expected general content of communications.</li> </ul>   | <ul style="list-style-type: none"> <li>Difficulty in establishing with those charged with governance a mutual understanding of the form, timing and expected general content of communications.</li> </ul>  | <ul style="list-style-type: none"> <li>difficulty in establishing with those charged with governance a mutual understanding of the form, timing, and expected general content of communications.</li> </ul>  |                 |
| <ul style="list-style-type: none"> <li>Where all or some of those charged with governance are involved in</li> </ul>   | <ul style="list-style-type: none"> <li>When <del>ne</del> all or some of those charged with governance are</li> </ul>   | <ul style="list-style-type: none"> <li>when all or some of those charged with governance are involved in</li> </ul>  |                 |

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| managing the entity, their apparent awareness of how matters discussed with the auditor affect their broader governance responsibilities, as well as their management responsibilities.  | involved in managing the entity, their apparent awareness of how matters discussed with the auditor affect their broader governance responsibilities, as well as their management responsibilities.   | managing the entity, their apparent awareness of how matters discussed with the auditor affect their broader governance responsibilities as well as their management responsibilities.  |  |
| <ul style="list-style-type: none"> <li>Whether the two-way communication between the auditor and those charged with governance meets applicable legal and regulatory requirements.</li> </ul>  | <ul style="list-style-type: none"> <li><del>Whether the two-way communication between the auditor and those charged with governance meets applicable legal and regulatory requirements.</del></li> </ul>  |   | B - Omitted in clarity as not applicable in the US |
| A52. As noted in paragraph 4, effective two-way communication assists both the auditor and those charged with governance. Further, ISA 315 (Revised) identifies participation by those charged with governance, including their interaction with internal audit, if any, and external auditors, as an element of the entity's control environment. <sup>67</sup> Inadequate two-way communication may indicate an unsatisfactory control environment and influence the auditor's | <b>A53.</b> <del>A52.</del> As <del>discussed in</del> <del>noted in</del> paragraph <del>4</del> A1, effective two-way communication assists both the auditor and those charged with governance. Further, <del>ISA</del> <del>section</del> <del>ISA</del> <del>315</del> <del>(Revised)</del> identifies participation by those charged with governance, including their interaction with internal audit <del>(if any)</del> , and external auditors, as an element of the entity's control environment. <sup>68</sup> Inadequate two-way communication may indicate an | <del>A53.</del> <del>A45</del> As discussed in paragraph <del>A</del> A1, effective two-way communication assists both the auditor and those charged with governance. Further, <del>ISA</del> <del>section</del> 315 identifies participation by those charged with governance, including their interaction with the internal audit function (if any) and external auditors, as an element of the entity's control environment. Inadequate two-way communication may indicate an unsatisfactory control |  |

<sup>67</sup> ISA 315 (Revised), paragraph A77

<sup>68</sup> ISA 315 (Revised), paragraph A77

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| assessment of the risks of material misstatements. There is also a risk that the auditor may not have obtained sufficient appropriate audit evidence to form an opinion on the financial statements.  | unsatisfactory control environment <del>which will and</del> influence the auditor's assessment of the risks of material misstatements. There is also a risk that the auditor may not have obtained sufficient appropriate audit evidence to form an opinion on the financial statements. | environment, which will influence the auditor's assessment of the risks of material misstatements. There is also a risk that the auditor may not have obtained sufficient appropriate audit evidence to form an opinion on the financial statements.                   |          |
| A53. If the two-way communication between the auditor and those charged with governance is not adequate and the situation cannot be resolved, the auditor may take such actions as:   | <b>A54.</b> <del>A53.</del> —If the two-way communication between the auditor and those charged with governance is not adequate and the situation cannot be resolved, the auditor may take <u>actions such as the following</u> <del>actions as</del> :                                   | <del>A54.</del> <b>A46.</b> If the two-way communication between the auditor and those charged with governance is not adequate and the situation cannot be resolved, the auditor may take actions such as the following:   |          |
| <ul style="list-style-type: none"> <li>• Modifying the auditor's opinion on the basis of a scope limitation.</li> </ul>   | <ul style="list-style-type: none"> <li>• Modifying the auditor's opinion on the basis of a scope limitation.</li> </ul>   | <ul style="list-style-type: none"> <li>• Modifying the auditor's opinion on the basis of a scope limitation</li> </ul>   |          |
| <ul style="list-style-type: none"> <li>• Obtaining legal advice about the consequences of different courses of action.</li> </ul>   | <ul style="list-style-type: none"> <li>• Obtaining legal advice about the consequences of different courses of action.</li> </ul>   | <ul style="list-style-type: none"> <li>• Obtaining legal advice about the consequences of different courses of action</li> </ul>   |          |
| <ul style="list-style-type: none"> <li>• Communicating with third parties (e.g., a regulator), or a higher authority in the governance structure that is outside the entity, such as the owners of a business (e.g., shareholders in a general</li> </ul> | <ul style="list-style-type: none"> <li>• Communicating with third parties (<del>for example, e.g.,</del> a regulator), or a higher authority in the governance structure that is outside the entity, such as the owners of a business (e.g., shareholders in a general</li> </ul>         | <ul style="list-style-type: none"> <li>• Communicating with third parties (for example, a regulator) or a higher authority in the governance structure that is outside the entity, such as the owners of a business (for example, shareholders in a general</li> </ul> |          |

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| meeting), or the responsible government minister or parliament in the public sector.  | meeting), or the responsible government <u>agency for certain governmental entities</u> <del>minister or parliament in the public sector.</del>   | meeting), or the responsible government agency for certain governmental entities  |                 |
| <ul style="list-style-type: none"> <li>Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation.</li> </ul>   | <ul style="list-style-type: none"> <li>Withdrawing from the engagement, where withdrawal is possible under applicable law or regulation.</li> </ul>   | <ul style="list-style-type: none"> <li>Withdrawing from the engagement when withdrawal is possible under applicable law or regulation</li> </ul>  |                 |
| Documentation (Ref: Para. 23)   | Documentation (Ref: <u>par. Para-23</u> <del>20</del> )   | Documentation (Ref: par. -20)   |                 |
| A54. Documentation of oral communication may include a copy of minutes prepared by the entity retained as part of the audit documentation where those minutes are an appropriate record of the communication. | <b>A55.</b> <del>A54.</del> —Documentation of oral communication may include a copy of minutes prepared by the entity <u>retained if</u> <del>where</del> those minutes are an appropriate record of the communication. | <del>A55.</del> <b>A47</b> Documentation of oral communication may include a copy of minutes prepared by the entity as part of the audit documentation if those minutes are an appropriate record of the communication. |                 |

**A56. ~~A48~~ Appendix – Qualitative Aspects of Accounting Practices (from extant AU-C 260 not included here)**

**EXHIBIT — REQUIREMENTS TO COMMUNICATE WITH THOSE CHARGED WITH GOVERNANCE IN OTHER AU-C SECTIONS**

A57. ~~A49~~ Requirements for the auditor to communicate with those charged with governance are included in other AU-C sections. This section does not change the requirements in

- a. paragraph .17 of section 210, *Terms of Engagement*
- b. paragraphs .21, .38c(i), and .39–.41 of section 240, *Consideration of Fraud in a Financial Statement Audit*
- c. paragraphs .14, .18, and .21–.23 of section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*
- d. paragraph .11 of section 265, *Communicating Internal Control Related Matters Identified in an Audit*
- e. paragraph .27 of section 550, *Related Parties*
- f. paragraphs .10b–c, .12a, .15a, .17a, and .18 of section 560, *Subsequent Events and Subsequently Discovered Facts*
- g. paragraph ~~.28~~<sup>19</sup> of section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*
- h. paragraphs .45–.48 of section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*
- i. paragraph .28 of section 610, *Using the Work of Internal Auditors*
- j. paragraph 17 of proposed section 701, *Communicating Key Audit Matters in the Independent Auditor's Report*
- ~~k.~~ paragraphs .12, .14, ~~.24~~<sup>0</sup>, and ~~.31~~<sup>29</sup> of section 705, *Modifications to the Opinion in the Independent Auditor's Report*
- ~~l.~~ paragraph ~~.12~~<sup>09</sup> of section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*
- ~~m.~~ paragraphs .08, .12, .15, and .18 of section 720, *Other Information in Documents Containing Audited Financial Statements*
- ~~n.~~ paragraph .06 of section 730, *Required Supplementary Information*
- ~~o.~~ paragraphs .23–.28 of section 930, *Interim Financial Information*
- n. paragraphs .36–.37 of section 935, *Compliance Audits*