



Agenda Item 3C

Convergence - PCAOB

Objective of Agenda Item

To consider whether to amend GAAS for conforming amendments to AS 16 (AS 1301), *Communications with Audit Committees*, AS 17 (AS 2701), *Supplementary Information*, and AS 18 (AS 2410), *Related Parties*.

BACKGROUND

Scope of Project

The ASB's Strategic Plan calls for convergence with the standards of the IAASB and avoidance of unnecessary differences with the standards of the PCAOB. Since the ASB completed its auditing standards clarity project, which clarified GAAS and converged it with the ISAs, the PCAOB has issued three auditing standards — AS 16, *Communication With Audit Committees* (AS 1301), AS 17, *Supplementary Information* (AS 2701) and AS 18, *Related Parties* (AS 2410) — which the ASB has not yet considered to determine if unnecessary differences exist.

At its May Meeting, the ASB considered proposed amendments to GAAS relating to those three standards. The proposed amendments, revised as directed by the ASB, will be brought back to the ASB in October. As noted in the May meeting materials, conforming amendments to the three standards are being brought to the ASB in July.

The Task Force has analyzed AS 16 (1301) , AS 17 (AS 2701) and AS 18 (2410) with GAAS in order to

- 1) identify requirements that are incremental to GAAS;
- 2) consider whether the incremental requirements are unnecessary differences, and if so,
- 3) consider whether the differences are significant enough to warrant amendments to GAAS.

Criteria Used to Determine an Unnecessary Difference

As it did with the standards, the Task Force analyzed the conforming amendments, identified differences and made recommendations presented below regarding those requirements it believes are unnecessary differences between the PCAOB auditing standards and GAAS

For each requirement in a PCAOB AS which the Task Force believes does not have an equivalent in GAAS, the Task Force considered the following:

- Does the requirement address something that is common to issuers and rare for non-issuers?
- Is the requirement more prescriptive than appropriate for principle-based standards?
- Does the requirement result in a performance difference?
- Is the requirement scalable?
- Would applying the requirement in GAAS audits result in higher audit quality?

ISSUES

1. Scoping AS 16 (AS 1301) Out of This Project

At the May meeting, the Task Force became aware that the IAASB considered AS 16 in proposing amendments to ISA 260 as part of its Auditor Reporting project. Because AS 16 was considered in revising ISA 260, and the ASB is converging with ISA 260 as part of its Auditor Reporting project, the Task Force believes that AS 16 (AS 1301) no longer meets the criteria for this project; that is, PCAOB standards that were not considered in clarifying GAAS and converging GAAS with the ISAs. This would include the conforming amendments made in AS 16 (shown in agenda item 3E)

Question for the ASB

1. Does the ASB agree to remove AS 16 (AS 1301) from the scope of this project?

2. Conforming amendments resulting from AS 17 (AS 2701)

The conforming amendments in in Release 2013-008, *AS 17 – Supplementary Information*, are amendments (shown in agenda item 3F) to conform wording and references in other PCAOB standards with the wording and title of AS 17. They do not establish any new requirements in any other PCAOB standards and in the opinion of the ASB Convergence Task Force, do not create any unnecessary differences with GAAS.

Question for the ASB

2. Does the ASB agree that no amendments to GAAS are needed in response to conforming amendments to AS 17 (2701)?

Conforming amendments resulting from AS 18 (AS 2410)

See agenda item 3D for the conforming amendments.