



Agenda Item 2C

Comparison of PCAOB AS17, *Supplementary Information*, (AS 2701) to the Requirements of GAAS

The following shows Release 2013-008, *AS No. 17–Auditing Supplementary Information Accompanying Audited Financial Statements* (AS2701); comparable GAAS paragraphs marked for proposed conforming amendments to eliminate unnecessary differences with the PCAOB standards; and comments. The proposed amendments are shown in ***bold italics*** in shaded cells. The comments column includes explanations and rationales for proposing, or not proposing, amendments to GAAS.

AS 17, <i>Supplementary Information</i> (AS 2701)	GAAS (AU-C 725)	Analysis
Introduction		
1. This standard sets forth the auditor's responsibilities when the auditor of the company's financial statements is engaged to perform audit procedures and report on <i>supplemental information</i> ^{1/} that accompanies financial statements ^{2/} audited pursuant to Public Company Accounting Oversight Board ("PCAOB") standards.	Not requirements	NA
Objective		

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<p>2. The objective of the auditor of the financial statements, when engaged to perform audit procedures and report on supplemental information that accompanies audited financial statements, is to obtain sufficient appropriate audit evidence to express an opinion on whether the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.</p>	<p>Similar objectives</p>	<p>NA</p>
<p>Performing Audit Procedures on Supplemental Information Accompanying Audited Financial Statements</p>		
<p>3. The auditor should perform audit procedures to obtain appropriate audit evidence that is sufficient to support the auditor's opinion regarding whether the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole. The nature, timing, and extent of audit procedures necessary to obtain sufficient appropriate audit evidence and to report on the supplemental information depends on, among other things:</p> <p style="padding-left: 40px;">a. The risk of material misstatement of the supplemental information;</p>	<p>.01 This section addresses the auditor's responsibility when engaged to report on whether the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.</p>	<p>AU-C 725 does not address planning for the nature, timing, and extent of audit procedures or the "risk of material misstatement of the supplemental information. However, AU-C 725 is not applied in a vacuum; it is applied in the context of an audit of the financial statements as a whole and in conjunction with the other AU-C sections. Accordingly, no performance difference exists.</p>

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<ul style="list-style-type: none"> b. The materiality considerations relevant to the information presented; c. The evidence obtained from the audit of financial statements and, if applicable, other engagements by the auditor or affiliates or affiliates of the firm,^{4/} for the period presented; and d. Whether a qualified opinion, an adverse opinion, or a disclaimer of opinion was issued on the financial statements. 		
<p>Note: When planning and performing the audit procedures to report on supplemental information, the auditor generally should use the same materiality considerations as those used in planning and performing the audit of the financial statements.^{3/} However, if applicable regulatory requirements specify a lower materiality level to be applied to certain supplemental information, the auditor should use those prescribed threshold requirements in planning and performing audit procedures for the supplemental information.</p> <p>Note: The procedures performed regarding the supplemental information should be planned and performed in conjunction with the audit of the financial statements. For audits of brokers and dealers, the procedures</p>	<p>.07 ...the auditor should perform the following procedures using the same materiality level used in the audit of the financial statements.</p>	<p>No difference in requirements – auditor would use lower materiality if required by law or regulation under GAAS as well.</p> <p>Planning and performing the procedures in conjunction with the audit of the financial statements is implicit in AU-C 725. Note this is not mentioned as a difference in PCAOB comparison. Furthermore,</p>

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<p>should be coordinated with the attestation engagements related to compliance or exemption reports required by the U.S. Securities and Exchange Commission ("SEC")⁵/ The auditor should take into account relevant evidence from the audit of the financial statements and, for audits of brokers or dealers, the attestation engagements, in planning and performing audit procedures related to the supplemental information and in evaluating the results of the audit procedures to form the opinion on the supplemental information.</p>	<p>.07 ... f. Evaluate the appropriateness and completeness of the supplementary information, considering the results of the procedures performed and other knowledge obtained during the audit of the financial statements (Ref: Par. .A13)</p>	<p>guidance seems focused on brokers and dealers.</p>
<p>4. In performing the audit procedures on supplemental information, the auditor should:</p>		<p>Requirements are equivalent</p>
<p>a. Obtain an understanding of the purpose of the supplemental information and the criteria management used to prepare the supplemental information, including relevant regulatory requirements;</p>	<p>a. Inquire of management about the purpose of the supplementary information and the criteria used by management to prepare the supplementary information, such as an applicable financial reporting framework, criteria established by a regulator, a contractual agreement, or other requirements</p>	<p>Requirements are equivalent</p>

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<p>b. Obtain an understanding of the methods of preparing the supplemental information, evaluate the appropriateness of those methods, and determine whether those methods have changed from the methods used in the prior period and, if the methods have changed, determine the reasons for and evaluate the appropriateness of such changes;</p>	<p>c. Obtain an understanding about the methods of preparing the supplementary information and determine whether the methods of preparing the supplementary information have changed from those used in the prior period and, if the methods have changed, the reasons for such changes</p>	<p>AU-C 725 does not explicitly require the auditor to “evaluate the appropriateness of such changes”. However, implicit in the GAAS requirement to determine the reasons for change is the need to apply professional skepticism as to the appropriateness of such changes. No performance difference.</p>
<p>d. Inquire of management about any significant assumptions or interpretations underlying the measurement or presentation of the supplemental information;</p>	<p>e. Inquire of management about any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information</p>	<p>Requirements are equivalent</p>
<p>e. Determine that the supplemental information reconciles to the underlying accounting and other records or to the financial statements, as applicable;</p>	<p>d. Compare and reconcile the supplementary information to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves</p>	<p>Requirements are equivalent</p>

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<p>f. Perform procedures to test the completeness and accuracy of the information presented in the supplemental information to the extent that it was not tested as part of the audit of financial statements; and</p>	<p>f. Evaluate the appropriateness and completeness of the supplementary information, considering the results of the procedures performed and other knowledge obtained during the audit of the financial statements (Ref: Par. .A13)</p>	<p>Requirements are equivalent</p>
<p>g. Evaluate whether the supplemental information, including its form and content, complies with relevant regulatory requirements or other applicable criteria, if any.</p>	<p>b. Determine whether the form and content of the supplementary information complies with the applicable criteria</p>	<p>Requirements are equivalent</p>
Management Representations		
<p>5. The auditor should obtain written representations from management, including:</p>	<p>g. Obtain written representations from management</p>	<p>Per PCAOB comparison, AU-C 725 requires similar representations as AS 17, and additional representations not in AS 17.</p>
<p>a. A statement that management acknowledges its responsibility for the fair presentation of the supplemental information and, if applicable, the form and content of that supplemental information, in conformity with relevant regulatory</p>	<p>i. that it acknowledges its responsibility for the presentation of the supplementary information in accordance with the applicable criteria;</p>	

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requirements or other applicable criteria;		
b. A statement that management believes the supplemental information, including its form and content, is fairly stated, in all material respects;	ii. that it believes the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria;	
c. A statement that the methods of measurement or presentation have not changed from those used in the prior period or, if the methods of measurement or presentation have changed, the reasons for such changes and why those changes are appropriate;	iii. that the methods of measurement or presentation have not changed from those used in the prior period or, if the methods of measurement or presentation have changed, the reasons for such changes;	
d. If the form and content of the supplemental information is prescribed by regulatory requirements or other applicable criteria, a statement that the supplemental information complies, in all material respects, with the regulatory requirements or other applicable criteria, and identification of those requirements or other applicable criteria; and	ii. that it believes the supplementary information, including its form and content, is fairly presented in accordance with the applicable criteria;	

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<p>e. A description of any significant assumptions or interpretations underlying the measurement or presentation of the supplemental information, and a statement that management believes that such assumptions or interpretations are appropriate.</p>	<p>iv. about any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information; and</p>	
Evaluation of Audit Results		
<p>6. To form an opinion on the supplemental information, the auditor should evaluate whether the supplemental information, including its form and content, is fairly stated, in all material respects, in relation to the financial statements as a whole, including whether the supplemental information is presented in conformity, in all material respects, with the relevant regulatory requirements or other applicable criteria.</p>	<p>.07f. Evaluate the appropriateness and completeness of the supplementary information, considering the results of the procedures performed and other knowledge obtained during the audit of the financial statements (Ref: Par. .A13)</p>	<p>Not a performance difference.</p>
<p>7. The auditor should accumulate misstatements regarding the supplemental information identified during performance of audit procedures on the supplemental information and in the audit of the financial statements.^{6f} The auditor should communicate accumulated misstatements regarding the supplemental information to management on a timely basis to provide</p>	<p>.A13 In evaluating the appropriateness and completeness of the supplementary information as required by paragraph 07f, the auditor may consider testing accounting or other records through observation or examination of source documents or other procedures</p>	<p>AU-C 450, <i>Evaluation of Misstatements Identified During the Audit</i>, does not address supplemental information; however, misstatements regarding the supplemental information identified during performance of audit procedures on the supplemental information are encompassed in the requirements of AU-C section 450.</p> <p>Task Force Recommendations: Add application material to par. A13 of AU-C</p>

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<p>management with an opportunity to correct them.</p> <p>8. The auditor should evaluate whether uncorrected misstatements related to the supplemental information are material, either individually or in combination with other misstatements, taking into account relevant quantitative and qualitative factors.</p> <p>Note: The auditor should evaluate the effect of uncorrected misstatements related to the supplemental information in evaluating the results of the financial statement audit.⁷¹</p>	<p>ordinarily performed in an audit of the financial statements, <i>as well as evaluating misstatements regarding the supplemental information identified during performance of audit procedures in accordance with section 450, Evaluation of Misstatements Identified During the Audit.</i></p>	<p>725 that refers to the applicability of AU-C section 450.</p> <p>Basis for Recommendation: This requirement is more prescriptive than appropriate for principle-based standards but would be useful guidance.</p>
<p>9. The auditor should evaluate the effect of any modifications to the audit report on the financial statements when forming an opinion on the supplemental information:</p> <p>a. When the auditor expresses a qualified opinion on the financial statements and the basis for the qualification also applies to the supplemental information, the auditor should describe the effects of the qualification on the supplemental information in the report on supplemental information and should express a qualified opinion on the supplemental information.</p>	<p>.09f If the auditor issues a qualified opinion on the financial statements and the qualification has an effect on the supplementary information, a statement that, in the auditor’s opinion, except for the effects on the supplementary information of (refer to the paragraph in the auditor’s report explaining the qualification),</p>	<p>No difference.</p>

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<p>b. When the auditor expresses an adverse opinion, or disclaims an opinion on the financial statements, the auditor should express an adverse opinion, or disclaim an opinion, on the supplemental information, whichever is appropriate.</p>	<p>such information is fairly stated, in all material respects, in relation to the financial statements as a whole</p>	
	<p>11. When the auditor’s report on the audited financial statements contains an adverse opinion or a disclaimer of opinion and the auditor has been engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to such financial statements as a whole, the auditor is precluded from expressing an opinion on the supplementary information. When permitted by law or regulation, the auditor may withdraw from the engagement to report on the supplementary information. If the auditor does not withdraw, the auditor’s report on the supplementary information should state that because of the significance of the matter disclosed in the auditor’s report, it is</p>	<p>GAAS is more restrictive.</p>

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	inappropriate to, and the auditor does not, express an opinion on the supplementary information.	
Reporting		
10. The auditor's report on supplemental information accompanying audited financial statements should include the following:	9. ... The explanatory paragraph or separate report should include the following elements:	
<p>a. Identification of the supplemental information.</p> <p>Note: Identification may be by descriptive title of the supplemental information or reference to the page number and document where the supplemental information is located.</p>		Not a requirement in AU-C 725 but shown in all illustrative examples; not a performance difference.
<p>b. A statement that the supplemental information is the responsibility of management.</p>	<p>c. A statement that the supplementary information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements</p>	No difference.
<p>c. A statement that the supplemental information has been subjected to audit procedures performed in</p>	<p>d. A statement that the supplementary information has been subjected to the</p>	No difference.

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<p style="text-align: center;">conjunction with the audit of the financial statements.</p>	<p style="text-align: center;">auditing procedures applied in the audit of the financial statements and certain additional procedures, ...</p>	
<p>Note: If the financial statements are presented in a separate document from the supplemental information or otherwise are not readily identifiable to the user of the supplemental information, the auditor's report on supplemental information should identify the document containing the company's financial statements.</p>	<p>10. When the audited financial statements are not presented with the supplementary information, the auditor should report on the supplementary information in a separate report. When reporting separately on the supplementary information, the report should include, in addition to the elements in paragraph 9, a reference to the report on the financial statements, the date of that report, the nature of the opinion expressed on the financial statements, and any report modifications. (Ref: par. A16)</p>	<p>As non-issuer's financial statements are not ordinarily contained in a document, the requirement in AU-C 720 to refer to the financial statements is functionally equivalent to the requirement in AS 17.</p>
<p>d. A statement that the audit procedures performed included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness</p>	<p>.09 ... The other-matter paragraph or separate report should include the following elements: ...</p>	<p>The AU-C section 725 report does not refer to “performing procedures to test the completeness and accuracy of the information presented in the supplemental information”, or require a statement that the auditor evaluated whether the supplemental information complies with criteria.</p>

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<p>and accuracy of the information presented in the supplemental information.</p> <p>e. A statement that in forming the auditor's opinion, the auditor evaluated whether supplemental information, including its form and content, complies, in all material respects, with the specified regulatory requirements or other criteria, if applicable.</p>	<p>d. A statement that the supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, <i>performing procedures to test the completeness and accuracy of the information presented in the supplementary information</i>, and other additional procedures in accordance with auditing standards generally accepted in the United States of America</p> <p>e. <i>A statement that in forming the auditor's opinion, the auditor evaluated whether</i></p>	<p>However, these are performance requirements in AU-C 725.</p> <p>Task Force Recommendation: Add this as a requirement to the report.</p> <p>Basis for Recommendation:</p> <ul style="list-style-type: none"> • AU-C 725 includes procedures already for this and adding content to the report would provide more transparency into what the auditor has done relating to supplementary information. • There is no international standard to converge with relating to this topic and therefore aligning closer to PCAOB is helpful • The EBP exposure draft already proposes these changes and this brings consistency to all GAAS reports on supplementary information. • The proposed changes better reflect the work performed when a

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	<i>supplemental information, including its form and content, complies, in all material respects, with the specified regulatory requirements or other criteria, if applicable.</i>	regulator requires the supplementary information
<p>f. A statement, if applicable, that the supplemental information is presented on a basis that differs from the financial statements and is not prescribed by regulatory requirements. When such a statement is made, the report should describe the basis for the supplemental information presentation.</p>	<p><i>f. A statement, if applicable, that the supplemental information is presented on a basis that differs from the financial statements and is not prescribed by regulatory requirements. When such a statement is made, the report should describe the basis for the supplemental information presentation.</i></p>	<p>Task Force Recommendation: Supplemental information that is derived from the underlying accounting and other records used to prepare the financial statements can be presented on a basis that differs from the financial statements (for example, cash basis when the financial statements are GAAP-basis.) Add requirement to AU-C section 725, par. 09, to address. Also, amend illustrative report.</p> <p>Basis for Recommendation: This requirement may not be rare for non-issuers and results in a reporting difference.</p>
<p>g. An opinion on whether the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole, or a disclaimer of opinion.</p>	<p>e. If the auditor issues an unqualified opinion on the financial statements and the auditor has concluded that the supplementary information is fairly stated, in all material respects, in</p>	No difference.

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	<p>relation to the financial statements as a whole, a statement that, in the auditor's opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole</p>	
<p>11. Unless prescribed by regulatory requirements, the auditor may either include the auditor's report on the supplemental information in the auditor's report on the financial statements or issue a separate report on the supplemental information. If the auditor issues a separate report on the supplemental information, that report should identify the auditor's report on the financial statements.</p>	<p>10. When the audited financial statements are not presented with the supplementary information, the auditor should report on the supplementary information in a separate report. When reporting separately on the supplementary information, the report should include, in addition to the elements in paragraph 9, a reference to the report on the financial statements, the date of that report, the nature of the opinion expressed on the financial statements, and any report modifications. (Ref: par. A16)</p>	<p>No difference.</p>

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<p>12. The date of the auditor's report on the supplemental information in relation to the financial statements as a whole should not be earlier than:</p> <ul style="list-style-type: none"> a. The date of the auditor's report on the financial statements from which the supplemental information was derived, and b. The date on which the auditor obtained sufficient appropriate audit evidence to support the auditor's opinion on the supplemental information in relation to the financial statements as a whole.^{8/} 	<p>12. The date of the auditor's report on the supplementary information in relation to the financial statements as a whole should not be earlier than the date on which the auditor completed the procedures required in paragraph 7.</p>	<p>Although AU-C 725 doesn't explicitly require that the date of the report on SI not be earlier than the date of the auditor's report on the financial statements, the requirement in par. 5e that the auditor <i>issued</i> an audit report on the financial statements results in no performance difference.</p>
<p>13. The following is an example of an auditor's report on supplemental information when included in the auditor's report on the financial statements:</p> <p>The [identify supplemental information] has been subjected to audit procedures performed in conjunction with the audit of [Company's] financial statements. The [supplemental information] is the responsibility of the Company's management. Our audit procedures included determining whether the [supplemental information] reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing</p>	<p>Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The [identify accompanying supplementary information] is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the</p>	<p>Illustrative.</p>

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<p>procedures to test the completeness and accuracy of the information presented in the [supplemental information]. In forming our opinion on the [supplemental information], we evaluated whether the [supplemental information], including its form and content, is presented in conformity with [specify the relevant regulatory requirement or other criteria, if any]. In our opinion, the [identify supplemental information] is fairly stated, in all material respects, in relation to the financial statements as a whole.</p>	<p>financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, <i>performing procedures to test the completeness and accuracy of the information presented in the [supplementary information],</i> and other additional procedures in accordance with auditing standards generally accepted in the United States of America. <i>In forming our opinion on the [supplementary information], we evaluated whether the [supplementary information], including its form and content, is presented in conformity with [specify the relevant regulatory requirement or other criteria, if</i></p>	

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	<p><i>any</i>]. In our opinion, the <i>[identify supplementary information]</i> is fairly stated, in all material respects, in relation to the financial statements as a whole.</p>	
<p>14. If the auditor determines that the supplemental information is materially misstated in relation to the financial statements as a whole, the auditor should describe the material misstatement in the auditor's report on the supplemental information and express a qualified or adverse opinion on the supplemental information.</p>	<p>13. If the auditor concludes, on the basis of the procedures performed, that the supplementary information is materially misstated in relation to the financial statements as a whole, the auditor should discuss the matter with management and propose appropriate revision of the supplementary information. If management does not revise the supplementary information, the auditor should either</p> <p><i>a.</i> modify the auditor's opinion on the supplementary information and describe the misstatement in the auditor's report or</p> <p><i>b.</i> if a separate report is being issued on the</p>	<p>No difference</p>

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	<p style="text-align: center;">supplementary information, withhold the auditor's report on the supplementary information.</p>	
<p>15. If the auditor is unable to obtain sufficient appropriate audit evidence to support an opinion on the supplemental information, the auditor should disclaim an opinion on the supplemental information. In those situations, the auditor's report on the supplemental information should describe the reason for the disclaimer and state that the auditor is unable to and does not express an opinion on the supplemental information.</p>		<p>Not a requirement in AU-C 725; however, the illustrative reports address this situation. Not a performance difference.</p>
<p>Note: If the supplemental information consists of two or more schedules, and the auditor is able to obtain sufficient appropriate audit evidence to support an opinion on some but not all schedules, the auditor may express an opinion on only those schedules for which he or she obtained sufficient appropriate evidence but should disclaim an opinion on the other schedules.</p>	<p><i>A17. If the supplemental information consists of two or more schedules, and the auditor is able to obtain sufficient appropriate audit evidence to support an opinion on some but not all schedules, the auditor is permitted to express an opinion on only those schedules for which sufficient appropriate evidence was obtained and disclaim an opinion on the other schedules.</i></p>	<p>This guidance is not in AU-C 725.</p> <p><i>Task Force Recommendation:</i> If other amendments are made to AU-C 725, consider adding this guidance as well.</p> <p><i>Basis of Recommendation:</i> This requirement may not be rare for non-issuers.</p>

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^{1/} Terms defined in Appendix A, Definitions, are set in boldface type the first time they appear.		
^{2/} For purposes of this standard, supplemental information "accompanies financial statements" when it is (1) presented in the same document as the audited financial statements, (2) presented in a document in which the audited financial statements are incorporated by reference, or (3) incorporated by reference in a document containing the audited financial statements.		
^{3/} Auditing Standard No. 11, <i>Consideration of Materiality in Planning and Performing an Audit</i> , establishes requirements regarding the auditor's consideration of materiality in planning and performing an audit.		
^{4/} The term "affiliates of the firm" as used in this standard has the same meaning as the term "affiliates of the accounting firm" as defined in PCAOB Rule 3501.		
^{5/} See Attestation Standard No. 1, <i>Examination Engagements Regarding Compliance Reports of Brokers and Dealers</i> , and Attestation Standard No. 2, <i>Review Engagements Regarding Exemption Reports of Brokers and Dealers</i> .		
^{6/} See paragraph 10 of Auditing Standard No. 14, <i>Evaluating Audit Results</i> , which discusses the auditor's responsibilities regarding the accumulation of misstatements in an audit of financial statements.		
^{7/} See paragraph 17 of Auditing Standard No. 14, which discusses evaluation of uncorrected misstatements in the financial statement audit.		
^{8/} AU sec. 561, <i>Subsequent Discovery of Facts Existing at the Date of the Auditor's Report</i> , sets forth procedures to be followed by the auditor who, subsequent to the date of the report upon audited financial statements becomes aware that facts may have existed at that date that might have affected the		

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report had he or she then been aware of such facts. AU sec. 561 applies to situations in which the auditor identifies a material misstatement of the financial statements while performing audit procedures on supplemental information after the date of the auditor's report on the financial statements.		