



Agenda Item 4B

Summary of Comment Letters on Exposure Draft of the Proposed SAS, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*

Comment Letter No.	Commenter
1	AICPA Technical Issues Committee
2	Tennessee Department of Audit – Division of State Audit
3	RSM US LLP
4	Abraham D. Akresh
5	CliftonLarsonAllen LLP
6	Alexander, Aronson, Finning & Co., P.C.
7	Office of the Washington State Auditor
8	Dixon Hughes Goodman LLP
9	Association of Local Government Auditors
10	Anders Minkler Huber and Helm, LLP
11	California Society of CPAs' Accounting Principles and Assurance Services Committee
12	Baker Tilly Virchow Krause, LLP
13	Laura Lindal, CPA

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14	National Association of State Boards of Accountancy (NASBA)
15	Smith & Howard PC
16	Office of the Auditor General
17	Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants
18	Audit and Assurance Services Committee of the Illinois CPA Society
19	BDO USA, LLP
20	Grant Thornton LLP
21	Crowe Horwath LLP
22	North Carolina Association of Certified Public Accountants
23	PricewaterhouseCoopers LLP
24	Virginia Society of CPAs Accounting & Auditing Advisory Committee
25	Ernst & Young LLP
26	KPMG LLP
27	Deloitte & Touche LLP
28	National State Auditors Association

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General Comments

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1 - AICPA Technical Issues Committee	<p>TIC appreciates the effort the Auditing Standards Board (ASB) put forth to develop this proposed SAS, which is part of the ASB’s overall convergence efforts. TIC also believes that, if issued as a final standard, the proposed SAS will benefit users of audited financial statements and other information in the following ways:</p> <ul style="list-style-type: none"> • By improving audit quality by bringing greater consistency regarding auditors’ consideration of other information and reducing diversity in practice with respect to documents that are considered to be within the scope of the proposed SAS; • By increasing the value of the audit, without changing its scope, in a cost-beneficial manner, through enhancing the auditor’s responsibility with respect to the other information; and • By narrowing potential or existing expectation gaps through requiring auditors to articulate in their reports their responsibilities under the proposed SAS, and the outcome of their work relative to the other information
3 - RSM US LLP	<p>We have reviewed the proposed SAS and ISA 720 (Revised), and overall agree with the proposed revisions to AU-C section 720, <i>Other Information in Documents Containing Audited Financial Statements</i>. We also agree with the approach of using terms and phrases that are more common in the United States, and tailoring examples and guidance to the U.S. environment. The language in the proposed standard generally is helpful to the auditor in understanding the requirements.</p>
4 - Abraham D. Akresh	<p>I generally support the required procedures in this proposed SAS. However, there are other matters that the Board should address to improve the standard.</p>
6 - Alexander, Aronson, Finning & Co., P.C.	<p>Overall, we support the ASB’s efforts to enhance the auditor’s responsibility for the other information included in the annual report that is available to the public and the effort to avoid undermining the credibility of the financial statements and the auditor’s report thereon. However, as explained in our comment to question 3, we do not support to the requirements related to the reporting of material misstatements in other information, including prospective information.</p>
8 - Dixon Hughes Goodman LLP	<p>We are supportive of the ASB’s efforts in clarifying the auditor’s responsibilities related to other information. We believe the Other Information Proposal could potentially reduce diversity in practice with respect to documents that are considered to be within the scope of other information, while potentially narrowing existing expectation gaps by requiring auditors to clarify within their auditor’s report their responsibilities related to other information.</p>

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	Our responses are framed by our experiences serving numerous private companies, middle-market public issuers, and non-issuer brokers and dealers, and include our concerns regarding the potential implications the proposals could have for medium to larger-sized accounting firms.
9 - Association of Local Government Auditors	We have reviewed the exposure draft in its entirety and believe that the planned revisions offer practical benefits to both the auditors and users of audited financial statements.
10 - Anders Minkler Huber and Helm, LLP	Annual reports are largely undefined in the FASB Codification. Privately-held entities have little or no GAAP guidance with respect to annual reports, and, therefore, the inclusion of any annual report material in an auditor’s scope and opinion seems to be an overreaching imposition to these clients.
11 - California Society of CPAs’ Accounting Principles and Assurance Services Committee	The Committee supports the board’s project to clarify guidance in AU-C 720.
15 - Smith & Howard PC	We appreciate the Auditing Standards Board’s effort to improve audit standards; however, we believe that the proposed revisions to AU-C section 720, <i>Other Information in Documents Containing Audited Financial Statements</i> , will put undue burden on auditors. Specifically, we believe the removal of the “other information of which the auditor is aware” clause (existing paragraph .06) will result in difficult application of the proposed standard for entities with less sophisticated management. We believe smaller entities, including many owner-managed and small not-for-profit entities, may be unable to properly identify information within the scope of the proposed standard. The practical result is that the burden to show completeness of information considered will fall on the auditor, which consequently will increase the scope of procedures required by the auditor and potentially reduce the cost-benefit of any value gained.
16 - Office of the Auditor General	Overall we considered the exposure draft as sufficiently detailed to properly instruct an auditor of the procedures to perform regarding other information. We had no suggested revisions.
18 - Audit and Assurance Services Committee of the Illinois CPA Society	<p>While the Committee acknowledges that auditor reporting on other information may result in the benefits described in the Background section of the proposed SAS, we believe that increasing auditor involvement with this information would require appreciably more clarity than is offered in the proposed SAS. Examples of matters that were not clear to some of our Committee members include:</p> <ul style="list-style-type: none"> • Whether auditor involvement with information outside of the audited financial statements is a service that management could request (or deny) or whether it is something that is required on every audit that involves “other information.” • An operational definition of the scope of information that may be subject to the auditor procedures included in the proposed

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	<p>SAS.</p> <ul style="list-style-type: none"> o Does the scope involve either management or auditor choice as to what is to be considered part of an “annual report” and part of “other information”? o If it is a matter of management’s choice, we note that some management teams will be incented to have little to no “other information” to avoid auditor involvement – in terms of costs, timing and scrutiny. On the other hand, other management teams will welcome auditor involvement on the chance that the related auditor reporting on such other information will be wrongly considered by users either as some form of assurance on that other information or as incremental assurance over the audited financial statements. o If it is not a matter of choice, the current definition, perhaps in particular to the use of the word “custom,” leaves ample opportunity uncertainty as to what is and what is not considered “other information.” For example, is a Chairman’s letter part of an “annual report”? Paragraph A15, notes that a Chairman’s letter may be included in “other information”, but that “other information” needs to first be a part of an “annual report” before it is subjected to the auditor’s procedures under this proposed SAS. Is a listing of top customers and their expected sales volume for the current year that is customarily provided by management to the entity’s two owners along with the annual audited financial statements a part of an “annual report”? o Paragraph 13 indicates that the auditor should determine which document(s) compose the “annual report”, but it is not clear if that determination would include consideration of only documents that management first determines are part of the “annual report” or whether it would include all possible types of financial information that might arguably meet the stated definition of “other information”. o In the event that auditor involvement is always required (as opposed to being requested by management), if management and the auditor disagree on what constitutes “other information,” how is that disagreement supposed to be addressed? o Is listing in the engagement letter the specific document(s) that compose the “annual report” adequate resolution between management and the auditor of what those documents are? o We believe that the “annual report,” as defined in the proposed SAS, is meant to refer to a specific document or set of documents that most stakeholders would readily think of as an annual report. However, the current guidance allows for diverging views which could expose auditors to reporting on one set of documents while the readers of the auditor’s report believes that a different set of documents is covered by our report. We acknowledge that the auditor is not providing any assurance on the other information. However, a stakeholder that identifies information published by the entity that the auditor did not consider as “other information” is, in fact, materially inconsistent with the financial statements, can claim that the auditor’s reporting was incorrect.

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	<ul style="list-style-type: none"> • The potential confusion related to reporting on “other information” that is not yet available to the auditor when the auditor’s report is signed and issued. <ul style="list-style-type: none"> o Users of the auditor’s report that do not obtain some of the “other information” along with an earlier-delivered auditor’s report may not understand what the reporting on “other information” relates to. o Regardless of the representations the auditor obtains from management at the auditor’s report issuance date, the later-released “other information” may, in fact, contain materially inconsistent information that user of the auditor’s report were led to believe would not contain such information. • Because the “annual report” does not necessarily get bound with, or even delivered with, the audited financial statements and related auditor’s report, the user of the auditor’s report may not specifically know what “other information” the reporting on such refers to, especially if such information is not more specifically described (as allowed by the proposed SAS). • The extent of required documentation in this circumstance where assurance is not provided on the matters covered by the auditor’s procedures. For example, is a statement that the auditor performed the procedures adequate documentation as opposed to having documentation that indicates the comparison of other information to corresponding information in the audited financial statements or audit work papers and, in certain cases, perhaps to work papers obtained solely to assist the auditor in performing the procedures required by the proposed SAS?
19 - BDO USA, LLP	<p>We are supportive of the Auditing Standards Board’s (ASB) strategy to converge its standards with the International Auditing and Assurance Standards Board (IAASB) and its ongoing contributions to the development of high-quality auditing, attestation and quality control standards through participation on the IAASB. However, while we are supportive of the ASB’s convergence strategy, we believe it is important to recognize the differences between the U.S. and international environments and to understand the experience of the international community in implementing the International Standard on Auditing (ISA) 720 (Revised) since it became effective for audits of financial statements for periods ending on or after December 15, 2016. In particular, we have some concern that users of the auditor’s report that includes an Other Information section may confer a greater degree of credibility to the other information than intended, by virtue of procedures being performed on the other information and the incorporation of the Other Information section within the auditor’s report. For this reason, we do not believe this standard is needed. Furthermore, if a standard was put in place, we believe that any inclusion of an other information section in the audit report would cause a larger expectation gap and would lead to users inferring an incorrect level of assurance on the other information.</p> <p>If the proposed standard is adopted by the ASB, we believe it will be important to engage and educate stakeholders about the limitations of the level of service provided with respect to the other information, which emphasizes that no level of assurance is being</p>

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	provided over the other information in order to avoid any misplaced reliance on the auditor’s statement that ‘We have nothing to report in this regard’. Such engagement could take the form of published articles in professional journals or the sponsorship of panel discussions on this topic, perhaps as a part of a broader discussion on the proposed changes to the auditor’s report.
20 - Grant Thornton LLP	We are supportive of the Board’s project and the overarching goal of convergence with the International Standards on Auditing. We believe that an updated standard could bring more transparency and clarity to an area that can be complex and is often misunderstood. Nevertheless, we have a few concerns with the proposed requirements, particularly as they relate to reporting.
21 - Crowe Horwath LLP	We support the ASB’s efforts to enhance and clarify the auditor’s responsibilities relating to other information included in annual reports and to achieve harmonization with international auditing standards. We believe the Proposed Standard will promote consistency and improve audit quality.
23 - PricewaterhouseCoopers LLP	<p>We acknowledge the Auditing Standards Board’s (ASB) strategic objective to converge its standards with those of the International Auditing and Assurance Standards Board (IAASB), while avoiding unnecessary differences between the ASB’s standards and those of the Public Company Accounting Oversight Board (PCAOB). However, before making changes to existing AU-C sections to converge with new or revised International Standards on Auditing (ISAs), the ASB should ensure it has considered the basis for decisions made in developing existing ASB standards, the comparable PCAOB standard, and the potential implications given the US regulatory and legal environment.</p> <p>While we support the ASB’s goal of narrowing the gap between the auditor’s role and responsibilities under the applicable standards and the expectations of audit report users, we have significant concerns with the approach in the proposed SAS and do not support the ASB moving forward with it as currently drafted. It is important to base the ASB’s standard on what auditors can reasonably be expected to achieve regarding “other information” reported by the company within the overall context of the audit of the financial statements. As the linkage between other information and information in the audited financial statements becomes less direct, the auditor’s ability to identify potential “misstatements of the other information” is reduced. In addition, proposing a new requirement for the auditor to report on other information in the auditor’s report risks exacerbating the expectations gap that currently exists.</p> <p>We also believe alignment between the standards for public and private companies in the US remains appropriate. Moving ahead with the proposed SAS as currently drafted would be a significant departure from the current PCAOB standard, AS 2710. While the PCAOB proposed revisions to AS 2710 in 2013, based on the nature of the comments received, the PCAOB is “reevaluating whether there is a need to revise the standards in this area.”</p> <p>Our response to the PCAOB’s 2013 proposal, and the feedback from the profession, expressed significant concern about the potential</p>

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	<p>implications of the expanded auditor responsibilities and the proposed form of reporting in the US legal environment. We believe those concerns are equally relevant to the ASB’s proposed SAS. The ASB should consider whether it would be more effective to wait for the resolution of these significant concerns in the standard for public company audits before moving ahead with the proposed SAS.</p> <p>If the ASB believes it is necessary to move forward in the near term, we believe revisions to the proposed SAS could be made to achieve the intended outcomes while helping to reduce unintended consequences. We urge the ASB to carefully consider the feedback it receives on the exposure draft and revise the proposed SAS accordingly.</p> <p><i>New definition of a “misstatement of the other information”</i></p> <p>We do not support the proposed change from “material inconsistency” and “material misstatement of fact” to a broader concept of a “[material] misstatement of the other information.” We believe the incorporation of new terminology (and changes to the related performance requirements) will cause practical challenges and potentially increase confusion about the auditor’s responsibilities for other information that is not directly related to, or derived from, the financial statements (referred to hereafter as “nonfinancial other information”).</p> <p>We are fundamentally concerned with the new definition of a “misstatement of the other information,” which expands the auditor’s role to require consideration of whether nonfinancial other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of the matter). Paragraph A12 of the proposed SAS appropriately explains “the auditor is not responsible for searching for omitted information or for the completeness of the other information.” We believe an auditor performing a financial statement audit pursuant to ASB standards often will not have a sufficient basis for determining whether nonfinancial other information is incorrectly stated or otherwise misleading. Given the diverse types of nonfinancial other information that may be addressed in the other information, (1) there are often no standards or framework against which to assess the presentation of such information, including its completeness, and (2) the auditor may not have the expertise to assess the validity of statements made in relation to matters unrelated to the audit of the financial statements. The PCAOB explicitly acknowledges these limitations in AS 2710 with respect to nonfinancial other information.</p> <p>To overcome these practical challenges, we suggest the ASB retain the terminology from AU-C section 720 and PCAOB AS 2710 rather than aligning with the ISA terminology. The distinction between a “material inconsistency” when dealing with other information that is related to the financial statements and a “material misstatement of fact” related to nonfinancial other information is</p>

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	<p>understood in practice today, and using different terms acknowledges the difference in the auditor’s responsibility with regard to each category of information. Since the intent is to strengthen the auditor’s work effort in relation to the two types of other information, this should be accomplished by changing the performance requirements instead of changing the terminology.</p> <p><i>Knowledge obtained in the audit</i></p> <p>We have concerns with the proposed changes to the objectives in paragraph 11 and the requirement in paragraph 15b in relation to explicitly considering whether there is a material inconsistency between the other information and “the knowledge obtained in the audit in the context of audit evidence obtained and conclusions reached in the audit.” The auditor can bring the knowledge obtained as part of the audit to bear when reading and considering the other information and considering whether there is a material misstatement of fact - but there are limits to what is practically achievable and reasonable to expect. While we understand these changes are intended to result in an “intelligent read” of the other information, they will result in a number of practical challenges. We believe further clarification would be needed regarding the following to help auditors consistently apply the requirement:</p> <ul style="list-style-type: none"> ● The auditor’s procedures, including risk assessment procedures, are designed to enable the auditor to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor’s opinion on the financial statements as a whole, not to obtain audit evidence regarding other information. Paragraph 3 of the proposed SAS notes appropriately that the auditor is not required to obtain audit evidence beyond that required to form an opinion on the financial statements. However, we are concerned reference to the knowledge obtained in the audit seems to include <i>all</i> information gathered during an audit, not just the information subject to audit procedures or information necessary to conduct the audit. For example, paragraph A36 of the proposed SAS refers to matters arising from the auditor’s risk assessment, and paragraphs A35 and A37 give specific examples of other matters, including those that are prospective in nature. Many procedures performed during the course of an audit involve formal and informal interactions with company personnel who provide context necessary to understand, for example, which types and pieces of information are relevant to the financial statements. Information learned during this process that does not appear relevant to the financial statements may not be perceived as noteworthy and/or may not be documented in the auditor’s workpapers. For this reason, it will be challenging—particularly with respect to information received by the auditor significantly prior to its receipt of the draft annual report—for the auditor to determine whether he or she has obtained information during the course of the audit relevant to other information in a company’s annual report. ● We believe the proposed SAS could be viewed as requiring the auditor to make an explicit determination about whether any knowledge obtained during the audit related to the financial and nonfinancial matters described in the other information. It is

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	<p>unclear what procedures the auditor may need to perform in order to determine whether a material inconsistency or material misstatement of fact exists if the information in the audit file does not agree to the other information.</p> <ul style="list-style-type: none"> ● The further the other information is removed from being related to the audited financial statements, the greater the likelihood that it is unrealistic and impracticable for an auditor to be able to determine that a <i>misstatement</i> of the other information exists, even based on the knowledge obtained in the audit. However, because the proposed SAS nevertheless requires the auditor to make such a determination despite limited information and expertise, auditors may be inappropriately held responsible for any subsequently detected omission in that information. ● If the auditor does not identify a material misstatement within the nonfinancial other information, it would not be reasonably possible to determine whether the auditor (1) did not obtain the knowledge that would have enabled them to identify the material misstatement, or (2) obtained the information but did not document such knowledge in the workpapers. In the first instance, it may not have been necessary for the auditor to obtain information about the particular matter if it was not relevant to the audit. Similarly, in the second instance, it may not have been necessary for the auditor to document the information if it was not relevant to the audit. We are therefore concerned that the proposed SAS could drive unnecessary documentation if it is not clear where the boundaries are in relation to considering knowledge obtained in the audit and how audit documentation is to be used. <p><i>Reporting</i></p> <p>We understand the ASB’s intent to provide greater transparency in the auditor’s report about the nature of the auditor’s responsibilities through this proposed SAS and other changes as part of the wider Auditor Reporting project. However, we believe the reporting on other information as proposed is ambiguous and susceptible to a wide array of interpretation by users. Practical challenges also arise because what constitutes an annual report differs among companies, and companies frequently do not finalize their annual reports until well after the auditor’s report has been issued. We note the proposed language in the auditor’s report would only be included when some or all of the other information has been received as of the date of the auditor’s report – which means the desired transparency may often not be achieved.</p> <p>We do not believe providing an affirmative statement or conclusion with respect to the other information is appropriate in light of: (1) the limited procedures required by the proposed SAS and (2) the practical limitations on the auditor’s ability to review the other information (e.g., the auditor lacks subject-matter expertise to assess nonfinancial other information; the auditor may not be able to</p>

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	<p>review other information received late in the reporting cycle). Describing the auditor’s effort with regard to other information in a separate section of the auditor’s report, in our view, could give this information undue prominence and suggest a greater level of assurance regarding other information than the auditor can provide. We are also concerned with the placement of the section immediately following the Basis for Opinion in the illustrative reports.</p> <p>We considered the alternative of including a description of the auditor’s responsibilities relating to other information in the auditor’s report instead of stating a conclusion at a point in time. We thought this might help mitigate the practical challenges relating to delayed receipt of other information, while still providing relevant information about what would occur if the auditor were to become aware of a material inconsistency with the audited financial statements, a material misstatement of fact in the other information, or both. In pursuing this alternative, we found it difficult to summarize the work effort in the auditor’s report in a way that did not imply a greater degree of effort than is required by the proposed SAS. We also noted potential practical challenges of requiring a standardized description in the auditor’s report if the other information had not been received as of the date of that report. For example, management could ultimately decide not to issue other information, and the required language provided in the auditor’s report describe responsibilities that had not been performed.</p> <p>The potential benefit of providing transparency about the auditor’s responsibilities relating to other information is recognized when there is a consistent framework and requirements for annual reporting, including specified timing (e.g., the Form 10-K for public companies). Absent this, articulating requirements for reporting in a way that not only provides useful information but can be consistently implemented across companies becomes quite challenging.</p> <p>We recommend the ASB reconsider whether enhanced reporting is necessary in this area. We believe today’s requirement for the auditor to include an Other Matter paragraph when a material inconsistency is identified and the other information has not been corrected remains appropriate. This requirement could also be extended to circumstances in which a material misstatement of fact is identified and the other information has not been corrected.</p> <p><i>Cost/benefit considerations</i> The explanatory memorandum to the exposure draft states the proposed SAS will “benefit users of audited financial statements and other information ... by increasing the value of the audit, without changing its scope...” We believe the proposed SAS will result in a significant increase in audit effort, particularly with respect to nonfinancial other information, with a corresponding significant increase in costs that, in our view, will exceed the benefits. It is unclear whether there is demand from users of private company</p>

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25 - Ernst & Young LLP	<p>financial statements for this additional effort and we are concerned with the practical challenges of the proposed SAS.</p> <p>We support the ASB’s efforts to improve audit quality by reducing diversity in practice in how auditors understand and fulfill their responsibilities for other information included in annual reports.</p> <p>Overall observations</p> <p>Overall, we do not support the proposed SAS. While we support the ASB’s efforts to clarify the auditor’s responsibilities with respect to other information in annual reports and to make the auditor’s work effort more transparent by describing those responsibilities in the auditor’s report, we believe the proposed SAS falls short of meeting these objectives. Transparency will not be significantly improved under the proposed SAS because draft annual reports typically are not made available to the auditor until after the financial statement audit is completed and the auditor’s report is released. As a result, the auditor’s report would not include the proposed separate section addressing other information.</p> <p>We do not support broadening the auditor’s responsibility introduced by the proposed definition of misstatement of other information and the corresponding performance requirements. Auditors may not have the expertise to assess the validity of certain statements that are not directly related to the audited financial statements, and the Board’s proposal would make it more difficult for auditors to comply with the proposed performance requirements. We also believe the proposed performance and reporting requirements need to be clarified to make them operable and capable of being consistently applied. We summarize our principal concerns and recommendations below and elaborate on them in Attachment A.</p> <p>Given our concerns with the proposed SAS, the absence of any known concerns with the existing standards, and the knowledge that the vast majority of non-issuers do not publish annual reports, we recommend that the Board not move forward with its proposed SAS at this time. Among other things, we think the Board should consider any post-implementation review of International Standard on Auditing (ISA) 720 (Revised), <i>The Auditor’s Responsibilities Relating to Other Information</i>, performed by the International Auditing and Assurance Standards Board, specifically as it relates to audits of non-issuers. We also recommend that the Board continue to monitor the efforts of the Public Company Accounting Oversight Board (PCAOB) in this area and consider the feedback the PCAOB received on its 2013 proposed standard on other information. Better coordination with the PCAOB would help minimize any unnecessary differences and simplify the policies and procedures auditors would need to adopt in the US to comply with the auditing standards of both the American Institute of Certified Public Accountants (AICPA) and the PCAOB.</p> <p>If the Board concludes that changes can’t be postponed, we believe our recommendations, which are similar to those the Center for</p>

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	<p>Audit Quality provided to the PCAOB on its 2013 proposed standard on other information, are more operable, which would result in more consistent application of the standard by auditors and provide more transparency in the auditor’s report for users of the financial statements.</p> <p>Differences with requirements for exempt offering documents We observe that the proposed SAS would impose responsibilities on the auditor for other information that are different from those imposed on the auditor under recently issued AU-C 945, <i>Auditor Involvement with Exempt Offering Documents</i>. For the reasons described in Attachment A, we believe having different thresholds to trigger auditor involvement with exempt offering documents versus other information included in annual reports, and different requirements for considering subsequent events and subsequently discovered facts, may not be in the public interest and recommend the Board consider reconciling these differences.</p> <p>Proposed definition of misstatement of the other information We don’t support the Board’s proposal to broaden the auditor’s responsibilities by introducing the term “misstatement of the other information” to AU-C section 720, <i>Other Information in Documents Containing Audited Financial Statements</i>.</p> <p>Under the proposed SAS, a misstatement of other information would exist “when the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information).” Determining what may be “misleading” to a reader or what may be “necessary for a proper understanding of a matter disclosed in the other information” would be inherently subjective and it would be difficult for auditors to understand how they would be expected to demonstrate compliance. We recognize that similar language has already been adopted in many foreign jurisdictions, but we don’t believe the proposed SAS is sufficiently clear and operable for practitioners in the US, given our unique legal environment.</p> <p>We recommend that the ASB use the existing definitions of “inconsistency” and “misstatement of fact” and add language to make it clear that the term “inconsistency” is associated with information directly related to the financial statements and “misstatement of fact” is associated with information not directly related to the financial statements, rather than introduce vague new terms.</p> <p>Performance responsibilities and documentation requirements We support the Board’s goal to clarify and codify the auditor’s performance responsibilities related to other information. However, we don’t believe the proposal is sufficiently clear about what the auditor would have to do.</p>

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	<p>For example, we recognize that auditors must use knowledge gained during the audit when considering whether they are aware of a misstatement of the other information included in the annual report. However, the proposed SAS doesn't sufficiently prescribe the nature and extent of procedures to be performed or the extent of documentation that would be required to evidence the auditor's fulfillment of the performance responsibilities related to these considerations. We believe the recommendations we provide in this letter would help focus the auditor's documentation efforts by more clearly articulating the auditor's performance responsibilities that go beyond reading the other information.</p> <p>Procedures for other information directly and not directly related to the audited financial statements We believe the ASB should revise the proposed requirements to make a clearer distinction between the performance requirements related to the other information that is directly related to the audited financial statements and the other information that is not. The risk is that auditors may not have the expertise to assess the validity of the other information that is not directly related to the audited financial statements.</p> <p>As described in our response to Issue 3 in Attachment A, we recommend that the ASB require the auditor to perform certain procedures to compare the other information directly related to the financial statements included in the annual report to the audited financial statements, which would include information derived from the accounting records that support the audited financial statements, and to check the mathematical accuracy of the other information directly related to the financial statements.</p> <p>With respect to other information not directly related to the audited financial statements, we believe the auditor's performance responsibilities should be consistent with existing requirements in AU-C 720.16 and should be limited to reading the other information and responding accordingly if, based on knowledge gained during the course of the audit, the auditor becomes aware of any potential material misstatements of fact.</p> <p>Use of the term 'evaluate' We don't support the ASB's proposal to use the term "evaluate" in the performance requirements in proposed paragraphs 15a, A29, A31 and A34 because that is the term the auditing standards use to describe the procedures the auditor performs in reaching and supporting the audit opinion (i.e., a reasonable assurance performance standard). We believe that using the term "evaluate" in the context of other information in annual reports may imply that the auditor is obtaining reasonable assurance with respect to this information.</p>

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	<p>Communicating the auditor’s responsibilities We support clarifying the auditor’s responsibilities related to other information that is communicated to users of the financial statements, but we are concerned the proposed statement that the auditor’s responsibility is to “read the other information and consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated” is too vague. If the Board agrees with the performance requirements we recommend, we believe the Board should require the auditor to describe the procedures performed in the auditor’s report and explain that those procedures do not constitute an audit or a review of the other information.</p> <p>In addition, we don’t support the inclusion of a separate section in the auditor’s report addressing other information when the auditor has obtained some, but not all, of the other information to be included in the annual report. As explained in our response to Issue 5 in Attachment A, we believe the proposed reporting requirement would not improve the informative value of the auditor’s report and could potentially mislead users of the report.</p> <p>We believe our recommendations would more clearly communicate the auditor’s responsibilities regarding other information. They would also help mitigate the risk that investors or other financial statement users would infer that the auditor has a greater responsibility for the other information than is required by the proposed SAS.</p>
26 - KPMG LLP	<p>We support the Board’s efforts to benefit users of audited financial statements of non-issuers in an effective and efficient manner by considering the activities of other standard setters, specifically the International Auditing and Assurance Standards Board (IAASB) and the Public Company Accounting Oversight Board (PCAOB).</p> <p>Considering all available points of view results in stronger comprehensive standards to serve the public interest. However, in this instance, we believe the Board has not made a compelling argument for change other than convergence with the International Standard on Auditing 720 (Revised), <i>The Auditor’s Responsibilities Relating to Other Information</i> (ISA 720). We are concerned that the Proposed Standard will create additional differences when compared to PCAOB AS 2710, <i>Other Information in Documents Containing Audited Financial Statements</i>. Differences between our two national auditing standard setters increases the current expectation gap of financial statement users in the United States (US). We believe the auditor’s responsibility for other information included in annual reports (hereafter referred to as Other Information), particularly in annual reports that may be used by investors, donors, or other constituents of varying knowledge about auditing standards, should be substantially similar in the US market.</p>

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	<p>In our response to the PCAOB’s Rulemaking Docket matter No. 34, which included The Auditor’s Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor’s Report, we expressed concern over certain requirements that are substantially similar to those included in this Proposed Standard.</p> <p>We are not aware of practice issues with extant AU-C section 720, a fundamental objective of which is reading the Other Information to protect the credibility of the financial statements and auditor’s report thereon. We believe the Proposed Standard shifts the objective away from the credibility of the audited financial statements to specific association with Other Information management wishes to share with its stakeholders that may be well beyond the scope of an applicable financial reporting framework. We encourage the Board to conduct its own outreach to determine whether there are practice issues, audit quality issues or issues for users of the financial information, and collaborate with the PCAOB, to the extent possible, as they continue with their research agenda. Despite our objection to this Proposed Standard, in response to Request for Comment 2, we have included a potential pragmatic alternative that both alleviates many of our concerns, and provides transparency to readers of Other Information about the auditor’s responsibilities. Similar to AU-C section 945, <i>Auditor Involvement With Exempt Offering Documents</i> (AU-C section 945), auditors could be engaged to perform procedures on Other Information consistent with AU-C section 720 today, and then specifically report on those procedures in the auditor’s report included with the Other Information. This change to extant standards would formalize management’s understanding and agreement to the auditor’s involvement with Other Information.</p> <p>If the Board determines that it is appropriate to continue with the Proposed Standard, we have provided responses to the specific issues highlighted for respondents and other matters noted to enhance the effectiveness of the Proposed Standard. Specifically:</p> <ul style="list-style-type: none"> • The performance requirements should be limited to comparing the Other Information included in an annual report to the amounts in the financial statements and the accounting records that are subject to the audit, or have been derived directly from those accounting records. Requiring the auditor to consider material inconsistencies between Other Information and the auditor’s knowledge obtained in the audit is too broad and may be misunderstood by users of the auditor’s report as going beyond the scope of a financial statement audit. Our response to Comment 3 expands on this concern. • The reporting requirements in the Proposed Standard will likely increase the expectation gap related to the auditor’s responsibilities. Practice issues are also caused by the timing of the receipt of Other Information and the effect it has on reporting that is not addressed by the requirements and application material. Further, the prominence and proposed wording of the reporting is also inconsistent with the limited procedures performed. Our response to Comments 2 and 5 expands on these concerns.

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27 - Deloitte & Touche LLP	<p>We are supportive of the objectives of the ASB’s proposal to:</p> <ul style="list-style-type: none"> • Converge, where applicable, with the recently released International Standard on Auditing (ISA) 720 (Revised), The Auditor’s Responsibilities Relating to Other Information (ISA 720 (Revised)). • Improve audit quality by bringing greater consistency regarding auditors’ consideration of other information and reducing diversity in practice with respect to documents that are considered to be within the scope of the proposed SAS. • Increase the value of the audit, without changing its scope, in a cost-beneficial manner, through enhancing the auditor’s responsibility with respect to the other information. • Narrow potential or existing expectation gaps through requiring auditors to articulate in their reports their responsibilities under the proposed SAS, and the outcome of their work relative to the other information. <p>Based on our review of the proposed SAS, we believe there are certain implementation and other issues that should be further considered by the ASB to achieve those objectives. We discuss these issues below and further in Appendix A. It should be noted that many of our comments in this letter arise from the reporting requirements in the proposed SAS, including, but not limited to, the following:</p> <ul style="list-style-type: none"> • Lack of clarity when other information is received after the report date, including the implications for the dating of the report and whether to re-issue the report to include language in the report consistent with paragraphs 22-23 of the proposed SAS when the auditor’s report is included in a document that includes the subsequently received other information. • Lack of clarity when only part of the other information has been received prior to the report date, including the complexities of reporting in such circumstances (including when the report is later included in a document containing all the other information). • Concerns around the language of the reporting requirement, including the placement of the language in the illustrative example reports, as well as the need to include such language in all reporting examples (given what we believe to be the

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	<p style="text-align: center;">potential infrequency with which reporting on other information might occur, as many non-listed entities do not prepare documents that meet the definition of an annual report as defined in paragraph 12 of the proposed SAS).</p> <p>While we support the objective of narrowing the existing expectation gap through expanded auditor reporting, we believe the issues we have identified pose significant barriers in achieving this objective. While we have endeavored to offer suggestions as to ways to address the issues identified, we recognize the complexity of solving these issues in the U.S. environment, and providing appropriate direction or guidance in the standard. Because we believe the lack of clarity in the auditor’s reporting responsibilities when other information is received after the report date would likely create inconsistency in reporting and widen the potential or existing expectation gaps as to the auditor’s responsibility with such information, we therefore would not object to the ASB giving consideration to removing the reporting requirements in paragraphs 22-24 and the related application material in the proposed SAS.</p> <p>However, if the reporting requirements in paragraphs 22-24 and the related application material in the proposed SAS are not deleted, we suggest the following (along with our comments on paragraphs 22-24 in the “Specific Comments” section below):</p> <ul style="list-style-type: none"> • We believe application material should be provided to address the responsibilities of the successor and predecessor auditors with respect to other information in the auditor’s report. <p>For example, if the prior period financial statements were audited by a predecessor auditor, and the successor auditor’s responsibilities do not extend beyond the knowledge obtained in the audit of the current year’s financial statements under paragraphs 15b and A38 of the proposed SAS, we suggest that application material be provided to address how the successor auditor may modify the other information section of the auditor’s report to bring this to the attention of the users of the auditor’s report.</p> <ul style="list-style-type: none"> • We believe the other information section in the auditor’s report should be included immediately after the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of the auditor’s report in the applicable illustrations in the proposed SASs related to auditor reporting. <p>By including the other information section before the “Responsibilities of Management and Those Charged With Governance for the Consolidated Financial Statements” and “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” sections of the auditor’s report (as presented in Illustration 1 of the proposed SAS, Forming an Opinion and</p>

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	<p>Reporting on Financial Statements), it gives undue prominence to the auditor’s responsibilities related to the other information. While we understand the proposed SAS does not mandate the placement of the paragraph related to other information, we believe by including it after the “Basis for Opinion” section in the Illustrative Auditor’s Reports in Appendix A to the SAS, the ASB is inferring that this is the preferred location.</p> <ul style="list-style-type: none"> • We believe application material to paragraph 22 should be provided for instances in which the auditor’s report includes sections for required supplementary information and/or supplementary information in addition to other information, to allow the auditor to have a separate section in the auditor’s report that covers all such information and then subsection headers for the different types of information, such as: <ul style="list-style-type: none"> Other Information [Included in the Annual Report], [Required Supplementary Information and Supplementary Information]. • We believe application material should be provided to address the auditor’s reporting responsibilities in situations in which other information is received after the auditor’s report is issued and such other information will contain, accompany, or incorporate by reference the financial statements and the auditor’s report thereon. It is unclear in the proposed SAS whether the auditor should reissue the auditor’s report and add the section to the report related to other information in these circumstances. Currently, in situations in which other information is received after the auditor’s report is issued and such other information will contain, accompany, or incorporate by reference the financial statements and the auditor’s report thereon, the auditor’s general use report is not reissued. Therefore, should the proposed SAS instruct the auditor to reissue the auditor’s report and add the section related to other information in these circumstances, this would be a change in current industry practice. <p>In addition, application material would also be necessary to address the dating of the auditor’s reports in these circumstances to make clear that the addition of the section on other information does not impact the date of the auditor’s report since the auditor’s opinion does not extend to such other information. However, although we believe further clarity is necessary as it relates to the reissuance of the auditor’s report, we are unsure if the proposed SAS can require the auditor to reissue its auditor’s report in these circumstances. If the ASB concludes that it cannot mandate the reissuance of the auditor’s report in these situations, we believe that the reporting element of the proposed SAS could cause confusion because, unlike certain circumstances in ISA 720 (Revised), the proposed SAS does not require the other information section to be included in the</p>

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	auditor's report when the other information is expected to be received after the date of the auditor's report.
28 - National State Auditors Association	We have reviewed the exposure draft and generally agree with the proposed changes.

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Summary of Responses to Specific Requests for Comment

Specific Request for Comment 1

Do the proposed revisions clarify the scope of documents required to be subjected to the auditor’s procedures? If you believe additional revisions or guidance is necessary, please be specific and provide reasons why additional revisions or guidance is necessary.

Commenter	Specific Response
1 - AICPA Technical Issues Committee	Yes, TIC believes that paragraphs 1 and A1 identify the Other Information and specifies that if the auditor is unable to ascertain the purpose of a document or if it will be issued, it isn’t considered Other Information.
2 - Tennessee Department of Audit – Division of State Audit	We believe the proposed revisions clarify the scope as the annual report. We believe this is a significant improvement and will reduce confusion and inefficiencies in the audit process.
3 - RSM US LLP	We believe the proposed revisions provide much greater clarity regarding the scope of documents required to be subjected to the auditor’s procedures. In particular, we believe application paragraph A9 is especially helpful in this regard. We do not believe additional revisions or guidance are necessary.
5 – CliftonLarsonAllen LLP	We believe the definition of annual report included in paragraph 12 of the proposed SAS provides adequate clarification. In addition, we believe the application material is beneficial in clarifying the scope of documents included in the annual report.
6 - Alexander, Aronson, Finning & Co., P.C.	<p>Yes, the proposed SAS clarifies the scope of documents required to be subjected to the auditor procedures and clearly defines the term “other information” used in this proposed SAS.</p> <p>However, paragraph .2 of the proposed SAS states “this proposed SAS also may be applied, adapted as necessary in the circumstances, to other documents to which the auditor, at management’s request, devotes attention”. Paragraph .2, derived from the extant AU-C section 720, creates some confusion about the newly defined scope of the proposed SAS. ASB should consider providing examples or clarification of such circumstances indicated in paragraph .2 that are also subject to the proposed SAS.</p> <p>In addition, we understand the proposed SAS is intended to address the other information included in the annual reports, as defined in the proposed SAS. In practice, sometimes non-public entities, including not-for-profit organizations, are required to submit documents, schedules and information accompanying the basic financial statements to funding sources or lenders based on contract, grants, and agreements. For example, not-for-profit entities may be required by funding sources or lenders to include certain detailed schedules for the purpose of specific contracts, grants, and agreements. This information is different from the non-for-profit entity’s annual reports or annual reports of governments, as defined in the proposed SAS. The auditor is not required to apply auditing</p>

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	procedures to these other schedules accompanying the basic financial statements. Since proposed SAS does not address this type of other information included in the audited financial statement as required by certain report users, ASB should provide guidance on how to report such other information/schedules accompanying the basic financial statements but not part of the basic financial statements.
7 - Office of the Washington State Auditor	No. The proposed definition of annual report includes the insertion “or incorporates by reference,” which could be construed to include any message or publication that includes a hyperlink to the financial statements and audit report. This is too broad and could result in misunderstanding by auditors and preparers. Either the ISA 720 language (“contains or accompanies the financial statements and auditor’s report thereon”) or current AU-C section 720 language (“a document containing audited financial statements and the auditor’s report thereon”) would be more clear and appropriate.
9 - Association of Local Government Auditors	Yes. The proposed revisions, including the title of the proposed statement on auditing standards (SAS), clarify the scope of documents required to be subjected to the auditor’s procedures.
10 - Anders Minkler Huber and Helm, LLP	We feel the scope is clear.
11 - California Society of CPAs’ Accounting Principles and Assurance Services Committee	Yes; the proposed revisions clarify the scope of documents subject to audit procedures.
12 - Baker Tilly Virchow Krause, LLP	<p>We believe the proposed definition of “annual report” will result in inconsistent application and conclusions, and therefore, should be further clarified. The definition states that an annual report, “...usually includes information about the entity’s developments, its future outlook and risks and uncertainties, a statement by the entity’s governing body, and reports covering governance matters.” When entities issue documents, or a combination of documents, that include some, but not all, of these elements, or issue documents with elements similar to these elements, but not exactly the same as these elements, we believe that auditors will have a difficult time determining whether the documents, or combination of documents, meet the proposed standard’s definition of an annual report.</p> <p>For example, the “annual report” described in paragraph A7 is quite common, but many of these documents, or combinations of documents, lack one or more of the elements described in the proposed standard’s annual report definition such as a statement by the entity’s governing body or reports covering governance matters. The absence of these elements will likely lead some auditors to conclude that the documents do not meet the proposed standard’s annual report definition. We recommend that the proposed standard clearly state which elements, if any, must be present for a document, or combination of documents, to be considered an annual report. Likewise, if other elements are simply included in the proposed standard as examples of the types of information that may be commonly included in annual reports, that should be clearly stated as well.</p>

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	<p>The term “custom” is used in the annual report definition and throughout the proposed standard. This term is not commonly used in this context in the United States, therefore, another word such as “practice” or “convention” might better convey what we believe the proposed standard is intending to communicate by the use of this term.</p> <p>This proposed standard applies when client documents meeting the proposed standard’s definition of an annual report contain, accompany or incorporate by reference the financial statements and the auditor’s report thereon. However, we do not believe that the auditor’s responsibilities, if any, are clear when client documents contain, accompany, or incorporate by reference the financial statements and the auditor’s report thereon, but the documents do not meet the proposed standard’s definition of an annual report. Therefore, we recommend that the auditor’s responsibilities, if any, in this situation be explicitly stated in the proposed standard.</p>
13 - Laura Lindal, CPA	The discussion in this exposure draft addresses an annual report that contains, accompanies, or incorporates by reference the financial statements and the auditor’s report thereon. It would be very helpful for the ASB to include explanatory material for the applicability of this proposed SAS when a) an annual report contains financial statements without the auditor’s report, and b) an annual report contains summarized financial information or partial financial statements (such as just presenting a statement of activities with no other financial information). The information in A9 is very helpful as to addressing what is not within the scope of this proposed SAS.
14 - National Association of State Boards of Accountancy (NASBA)	The ability for an entity to share financial information and other information is evolving at a record pace. We believe the proposed statement’s definition of “annual report” is a necessary step to clarify what is included in the scope of the audit and deserves support.
15 - Smith & Howard PC	While the proposed revisions clarify the scope of documents to be subjected to the auditors’ procedures, we also note that proposed revisions eliminate the “other information of which the auditor is aware” condition currently existing in AU-C section 720 (paragraph .06). We believe the removal of this clause is detrimental as, regardless of the clarified definition of what is considered in-scope, entities with less sophisticated management may be unable to adequately identify and provide this other information, which then, consequently, places additional burden on the auditors. We believe this both changes the scope of procedures required of the auditor and is not cost-beneficial, which is contrary to the stated benefits of the proposed SAS.
16 - Office of the Auditor General	Yes, we consider the definition of annual report and the exclusions of supplemental information and required supplemental information provide sufficient clarity to apply the proposed standard.
17 - Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants	We agree that the proposed revisions clarify the scope of documents required to be subjected to the auditor’s procedures, specifically other information included in the annual report or similar report with sufficient examples of those documents that do not fall within the scope of the proposed revision. We do not believe additional guidance or revisions is necessary.

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19 - BDO USA, LLP	<p>We agree that the proposed revisions are clear about the scope of documents that comprise ‘other information.’ Paragraph one of the standard explains the auditor’s responsibilities relate to other information that is included in an entity’s annual report. The standard then proceeds to define what constitutes an annual report for purposes of the proposed standard. The definition of an annual report provided in the standard explains that an annual report is:</p> <p style="padding-left: 40px;">A document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the entity’s financial results and financial position as set out in the financial statements. An annual report contains, accompanies, or incorporates by reference the financial statements and the auditor’s report thereon and usually includes information about the entity’s developments, its future outlook and risks and uncertainties, a statement by the entity’s governing body, and reports covering governance matters. Annual reports include annual reports of governments and organizations for charitable or philanthropic purposes that are available to the public.</p> <p>Furthermore, we believe the application guidance in paragraph A9, which provides a list of documents that are typically not considered part of an annual report, is helpful clarification.</p>
20 - Grant Thornton LLP	<p>We agree with the Board’s assessment that the extant requirements in AU-C section 720, <i>Other Information in Documents Containing Audited Financial Statements</i>, have been applied more broadly than intended. We are supportive of the proposed revisions to clarify the scope of documents subject to the standard. We believe they will help auditors to better understand the intended scope of the standard and improve transparency to users with respect to the auditor’s responsibility for other information.</p>
21 - Crowe Horwath LLP	<p>We agree that the proposed revisions clarify the scope of information that is required to be subjected to the procedures in the Proposed Standard. We agree that in practice, extant AU-C section 720 is often applied more broadly than intended, to cover “other information” that is not included in annual reports. Though we agree with the clarified scope, we believe the proposed revisions leave a gap in guidance for how auditors should address “other information” that is not supplementary information (AU-C 725), required supplementary information (AU-730), part of an exempt offering (AU-C 945), or included in an annual report, as defined in the Proposed Standard. We note that Paragraph 2 of the Proposed Standard indicates that “This proposed SAS also may be applied... to other documents to which the auditor, at management’s request, devotes attention.” We believe that many auditors will choose <i>not</i> to apply the Proposed SAS to such information based on a cost-benefit assessment. Thus, while we feel the Proposed Standard will <i>enhance</i> auditor’s efforts with respect to “other information” within its scope, an unintended consequence may be that it will <i>reduce</i> auditor’s efforts with respect to “other information” not explicitly within its scope.</p>

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22 - North Carolina Association of Certified Public Accountants	Our accounting & auditing, government and non-profit committee members feel that the Data Collection Form was improperly left out of the discussion in the guidance. The Data Collection Form is very similar to the Annual Report in that it is tethered to the financial statement audit by way of reference to the report’s wording and also includes a portion of results written by management that the auditor should read before submission.
23 - PricewaterhouseCoopers LLP	<p>There is already significant variability in terms of the types of documents that a company may issue that may or may not meet the definition of an annual report. We agree it is helpful to propose a more robust definition of an annual report and incremental guidance in the proposed SAS. However, we do not support expanding the auditor’s responsibilities beyond documents containing the audited financial statements to documents that accompany the audited financial statements or incorporate them by reference. For example, we think it would be impracticable to require the auditor to perform procedures in accordance with the proposed SAS if the auditor’s report accompanies a report on debt covenants.</p> <p>We believe the material in paragraph A4 of the proposed SAS should be included in the scope section of the proposed SAS rather than the application material.</p> <p>In addition, the proposed SAS should highlight that both AU-C sections 9255 and 9456 establish responsibilities for reading certain documents other than annual reports. However, it is unclear how the reporting requirements included in the proposed SAS might apply to these documents. We believe it will be necessary to make conforming amendments to these standards to clarify whether the proposed SAS would be applicable.</p>
24 - Virginia Society of CPAs Accounting & Auditing Advisory Committee	<p>We believe additional guidance is necessary to clarify the definition of an annual report to avoid confusion regarding instances where annual reports do not contain a complete copy of the audited financial statements (including required footnotes) with the auditor’s report. There are many organizations that produce documents as “annual reports” without including the complete set of audited financial statements. These documents instead may include excerpts or selected highlighted financial information that would not be appropriate to include in the scope of this proposed SAS even though the annual report prepared by management may label the selected financial information as audited. If the complete set of financial statements, footnotes and the auditor’s report are not included in these documents, we believe it does not qualify as an annual report.</p> <p>Additionally, we believe the reference to “incorporate by reference” in the current definition may also cause significant confusion by practitioners that are not familiar with the U.S. Securities and Exchange Commission (or other similar regulators) protocols that allow for a set of audited financial statements and the auditor’s report thereon (that are publicly available through EDGAR or other similar system) to be legally incorporated into a previously or subsequently filed document. As currently drafted, we believe considerable</p>

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	<p>confusion would be created by documents that refer to audited selected financial information or excerpts from the audited financial statements (e.g., a copy of the balance sheets and/or income statements) without complete footnote disclosures and a copy of the auditor’s report within that document or set of documents.</p> <p>Therefore, we believe the current definition should be amended as follows:</p> <p>“Annual report. A document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity’s operations and the entity’s financial results and financial position as set out in the financial statements. An annual report contains or accompanies, the complete set of financial statements including footnote disclosures and the auditor’s report thereon and usually includes information about the entity’s developments, its future outlook and risks and uncertainties, a statement by the entity’s governing body, and reports covering governance matters. Annual reports include annual reports of governments and organizations for charitable or philanthropic purposes that are available to the public, which include or accompany the complete set of audited financial statements, including footnote disclosures as required by the basis of accounting, and the auditor’s report thereon.”</p>
25 - Ernst & Young LLP	<p>We believe the proposed revisions clarify the scope of the documents required to be subjected to the auditor’s procedures. However, we believe the proposed SAS should be further clarified to make clear when the auditor has responsibility to read the other information included in the client’s annual report and fulfill his or her responsibilities in the proposed SAS. For example, the last sentence in proposed paragraph .A1 states that there may be circumstances at the date of the auditor’s report that “if the auditor is unable to ascertain the purpose of such a document or whether it will be issued, the document is not considered other information for purposes of this proposed SAS.” This could be interpreted to mean that the auditor has no responsibility with respect to any of the other information included in a client’s annual report. In contrast, proposed paragraph .13 could be interpreted that the auditor is required to actively determine whether other information will be prepared and to obtain it even after the auditor’s report date. Proposed paragraph .6 also implies the auditor always has some responsibility with respect to the other information because it states the auditor’s responsibilities apply “regardless of whether the other information is obtained by the auditor prior to or after the date of the auditor’s report.”</p> <p>We also observe the proposed SAS has a different threshold for triggering auditor involvement than the recently issued AU-C 945. Under AU-C 945 the auditor is considered involved with an exempt offering document and is expected to apply the requirements of that SAS when the auditor’s report is included in the exempt offering document and the auditor performs one or more specified</p>

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	<p>activities at the request of the reporting entity or another party. As a result, it's possible for an entity to issue an exempt offering document that includes or incorporates the auditor's report without requiring the auditor to perform any procedures. Although exempt offering documents may serve a different purpose than an annual report, we believe they contain similar information.</p> <p>We believe having thresholds to trigger auditor involvement in exempt offering documents that are different from those for other information included in annual reports may not be in the public's interest. It's also not clear why there would be different responsibilities for performing procedures related to subsequent events and subsequently discovered facts under AU-C 945 and the proposed SAS when documents are made available after the auditor's report is issued. Accordingly, we recommend the Board consider reconciling these triggers for involvement and align the procedures to identify subsequent events.</p>
26 - KPMG LLP	<p>The Proposed Standard is generally clear about the scope of documents to be subjected to the auditor's procedures. The following revisions are intended to clarify five paragraphs if the Board proceeds with the Proposed Standard:</p> <ul style="list-style-type: none"> • Paragraph 2 states that the Proposed Standard may be “applied, adapted as necessary in the circumstances, to other documents to which the auditor, at management’s request, devotes attention.” We believe that this paragraph undermines the intent of the Proposed Standard, which serves to define the Other Information on which the auditor is required to perform procedures and in essence leaves auditors where we are today. We recommend that this paragraph be removed so that the Proposed Standard would apply only to annual reports. • Paragraph A9 states that certain documents when issued alone are not typically part of an annual report. The phrase “issued on a stand-alone basis” is confusing because this could be read to imply that, if not issued on a stand-alone basis, such documents could be part of an annual report. For example, an observed trend is for management to include sustainability reports in documents containing audited financial statements. We recommend that the Proposed Standard explicitly state whether these documents would form an annual report if issued as one document. • It also occurs that management may periodically update its communications to its stakeholders and include the audited financial statements in each communication or include audited financial statements in several documents with different Other Information. If the intent is to identify the annual report, we recommend adding application material to paragraph 12 such as “In scenarios where an entity publishes more than one document that may be considered an annual report, this Proposed Standard would generally apply to the first version. The communications with management and the reporting within the auditor’s report should be

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	<p>clear in this regard.” Adding this language will reduce the risk of misapplying the Proposed Standard.</p> <ul style="list-style-type: none"> • The application material in paragraph A3 should specifically state that this Proposed Standard does not apply to engagements conducted under AU-C section 945. • In practice, there are situations when the audited financial statements of an entity are required to be included in an annual filing of another entity. We recommend that the application material to paragraph 12 specifically state that this Proposed Standard does not apply when audited financial statements of an entity are included in the annual report of another entity as a result of a regulatory requirement of the other entity.
27 - Deloitte & Touche LLP	Yes, we believe the proposed revisions clarify the scope of documents required to be subjected to the auditor’s procedures.
28 - National State Auditors Association	<p>We generally agree the proposed revisions clarify the intended scope of documents to be subjected to the auditor’s procedures.</p> <p>However, we do have one concern with the proposed definition of annual report. It includes the insertion “or incorporates by reference,” which could be construed to include any message or publication that includes a hyperlink to the financial statements and audit report. While we understand in some cases, other information that is part of an annual report will only include the financial statements and auditor’s report by reference, we are concerned with the information that could potentially be pulled in that <i>should not be considered</i> other information subject to this proposed standard. We suggest the board provide additional guidance on when this would be appropriate. If clear guidance cannot remove this potential, then we suggest the definition be revised to what is described in ISA 720.</p> <p>In addition, to make it clear that compliance audits, such as federal single audits, are not covered by this standard, we suggest a bullet be added to A9 specifically exempting federal compliance audits conducted in accordance with the U.S. Office of Management and Budget's <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i>.</p>

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Specific Request for Comment 2

Does the proposed requirement for the auditor to determine, through discussion with management, and obtain management’s written acknowledgment regarding, which document or documents make up the annual report, and the entity’s planned manner and timing of the issuance of such documents appropriately achieve the intent of ensuring that both the auditor and management understand the documents that are considered to constitute the entity’s annual report and therefore are subject to the auditor’s procedures required by the proposed SAS?

Commenter	Specific Response
1 - AICPA Technical Issues Committee	TIC believes that the proposed requirements for the auditor to determine, through discussion with management, and obtain management’s written acknowledgment regarding which document or documents make up the annual report and the entity’s planned manner and timing of the issuance of such documents appropriately achieve the intent noted above.
2 - Tennessee Department of Audit – Division of State Audit	We emphatically agree that obtaining management’s written acknowledgement, especially in the engagement letter, of what constitutes other information in the annual report and the issuance of such documents will enhance the audit process and reduce misunderstandings with the client about auditor and management responsibilities related to other information.
3 - RSM US LLP	We believe the proposed required discussion with management and management’s written acknowledgment regarding which documents make up the annual report, and the entity’s planned manner and timing of the issuance of such documents, will be very helpful for both the auditor and management. We believe this requirement will achieve the intent of ensuring that both the auditor and management understand the documents that are considered to constitute the entity’s annual report and therefore are subject to the auditor’s procedures required by the proposed SAS. We believe it is appropriate that application paragraph A17 allows latitude for including management’s written acknowledgment in either the engagement letter, an amendment to the engagement letter, a representation letter or some other written communication.
5 – CliftonLarsonAllen LLP	Paragraph A17 of the proposed SAS indicates written acknowledgement of the documents that constitute the annual report may be included in the engagement letter, representation letter, or some other written form of communication. We agree written acknowledgment is necessary. It would be ideal to include this written communication in the engagement letter; however, we believe in practice the documents that constitute the annual report may not be fully known when agreeing upon the terms of the engagement. As such, we recommend the documents that constitute the annual report be a required management representation.
6 - Alexander, Aronson, Finning & Co., P.C.	Yes, however it would be helpful and ensure the requirement is met if ASB provided additional illustrative examples for management’s written acknowledgement regarding what document(s) be included in annual report, and the entity’s manner and timing of the issuance of documents.
7 - Office of the Washington State Auditor	Yes.

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Commenter	Specific Response
9 - Association of Local Government Auditors	Yes. The proposed requirement appropriately achieves the intent of ensuring that both the auditor and management understand the documents that are considered to constitute the entity's annual report and, therefore, are subject to the auditor's required procedures.
10 - Anders Minkler Huber and Helm, LLP	We do not believe that it will be possible to ensure that management understands the documents that are considered to constitute the entity's annual report. As stated in our Introduction and General Comments Letter, there is very little GAAP guidance regarding annual reports. While the auditing standards will be understood by auditors, it is unreasonable to expect management to fully understand and comply with that which is largely undefined in GAAP.
11 - California Society of CPAs' Accounting Principles and Assurance Services Committee	Yes; we believe the requirement for the auditor and management to discuss and acknowledge which documents make up the annual report and planned manner and timing of issuance will ensure that the auditor and management agree on the scope of the annual report document and planned procedures.
13 - Laura Lindal, CPA	I believe the objective is achieved that, given the requirements in this proposed SAS, both the auditor and management should understand the scope of the other information that the auditor will perform procedures.
14 - National Association of State Boards of Accountancy (NASBA)	<p>As more companies move to electronic communications, including links in documents to the internet, questions will evolve as to what constitutes the annual report. An audit report is issued as of a period in time. We believe the best way to document the understanding between the auditor and the governing body is to require written acknowledgement as to what constitutes the entity's annual report.</p> <p>Paragraph 13c introduces the concept that some other information might not be available at the time of the issuance of the audit report, and indicates the auditor would have to perform the procedures required by this section when this information becomes available. In situations where the auditor believes other information will be included in the annual report after issuance of the audit report, we believe that the auditor should insert an "other matter" paragraph which indicates they have not yet received some, or all, of the information constituting the annual report. In addition, we recommend the standard indicate the auditor may issue a dual-dated opinion after addressing this updated information.</p>
15 - Smith & Howard PC	As noted above, we believe that in practice less sophisticated entities may be unable to adequately identify what information is required to be other information in-scope for these procedures, which then, consequently, places inappropriate burden on the auditors. We believe this both changes the scope of procedures required of the auditor and is not cost-beneficial, which is contrary to the stated benefits of the proposed SAS.
16 - Office of the Auditor General	Yes, we consider the proposed requirement as sufficient to ensure that both the auditor and management understand which document constitutes the entity's annual report.
17 - Accounting Principles and Auditing Standards Committee of the Florida	The Committee agrees the proposed requirements appropriately achieves the intent of ensuring both the auditor and management's understanding of the documents that are considered to constitute the entity's annual report and therefore are subject to the auditor's

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Commenter	Specific Response
Institute of Certified Public Accountants	procedures required by the proposed SAS, by way of requiring written representation from management not previously required.
19 - BDO USA, LLP	We believe the proposed requirement in paragraph 13 for the auditor to determine, through discussion with management, and obtain management’s written acknowledgement regarding which document or documents make up the annual report, and the entity’s planned manner and timing of the issuance of such documents, appropriately ensures that both the auditor and management understand the documents that are considered to constitute the entity’s annual report.
22 - North Carolina Association of Certified Public Accountants	<p>We do not feel this is a troublesome area as we can clearly define what makes up the annual report in the engagement letter, the representation letter and the auditor’s report. For governmental or non-profit management discussion & analysis sections, the format for the order of presentation is fairly common in the industry and is typically clearly labeled.</p> <p>The joint task force would like the Board to be aware that there is possible difficulty when the auditor releases the audit report before getting a chance to read the annual report because the annual report was generated after the 60 day audit lock down date for the audit since we are allowed to release the report and read the information in the annual report at a later date.</p>
23 - PricewaterhouseCoopers LLP	<p>We understand the rationale behind the proposed requirement in paragraph 13, and support actions to promote an upfront understanding of what constitutes an annual report for the engagement based on its nature and purpose, as well as when it will be made available to the auditors. However, the reporting requirements applicable to private companies vary greatly, and thus management may not always be aware whether an annual report will be produced (e.g., whether those charged with governance intend to do so). Similarly, the scope and contents of annual reports can vary greatly, and thus management may not be in a position to confirm the documents that will encompass the annual report during the early stages of the audit. Such determinations may occur significantly after the date of the auditor’s report. In these circumstances, management may be unable or unwilling to provide written representations regarding the potential issuance of an annual report or its contents at the time the auditor is engaged to audit the financial statements. Accordingly, we are not convinced the level of specificity in paragraph 13 is needed, as it may not be scalable to all entities.</p> <p>We believe a focus on inquiry – of both management and those charged with governance – would be more appropriate, with written acknowledgment focusing on the need for the annual report to be provided to the auditor prior to its issuance. Application material similar to paragraphs A17-A19, A22 and A26 may be helpful to address matters related to the expected timing and nature of information to be included in the annual report in the engagement letter or other written communication. Doing so could ensure management is aware of the auditor’s obligations in accordance with the proposed SAS and agrees to provide the other information to</p>

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Commenter	Specific Response
	<p>the auditor on a timely basis before it is issued.</p> <p>We believe it is necessary to reconsider certain application material to ensure the proposed SAS is clear as to the types of information that may be included in an annual report (paragraphs A5-A11), as well as to be explicit about what documents do not constitute an annual report. Finally, we believe it would be helpful to clarify guidance in paragraphs A8 and A23 of the proposed SAS to explain how electronic availability may influence the auditor’s work effort.</p>
24 - Virginia Society of CPAs Accounting & Auditing Advisory Committee	Yes. We believe it is appropriate for the auditor to determine whether there will be an annual report that contains or accompanies the complete set of financial statements, including footnote disclosures and the auditor’s report thereon. We believe it is appropriate to require the auditor to obtain management’s written acknowledgment regarding which document or documents make up the annual report, and the entity’s planned manner and timing of the issuance of such documents.
25 - Ernst & Young LLP	We believe the proposed requirements achieve the intent that both management and the auditor understand what documents constitute the entity’s annual report.
26 - KPMG LLP	<p>We are concerned about implementing the reporting requirements when the Proposed Standard allows for reporting variability driven by the timing of when the Other Information is received.</p> <p>There is risk of potentially confusing users of the financial statements related to this variability in reporting. For example, the reporting requirement is to be silent in the auditor’s report when no Other Information is received at the date of the auditor’s report. Users will not know whether the auditor was expecting such information but it was not received nor will the user know whether management included the auditor’s report with Other Information and does not notify the auditor.</p> <p>In contrast, when some or all of the Other Information has been obtained at the date of the auditor’s report, the audit report would include reporting related to the auditor’s responsibilities and findings about the Other Information received to date. There are practice issues that arise from this, including:</p> <ul style="list-style-type: none"> • The same auditor’s report may be included at a later date with different Other Information. The language in the auditor’s report would be inconsistent with the Other Information in these scenarios.

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	<ul style="list-style-type: none"> • Potentially needing to dual date the audit report when multiple annual reports are issued or when Other Information is obtained after the auditor’s report has been issued. • The receipt of discreet pieces of Other Information, for example one year of a multi-year management discussion and analysis section and the effect this may have on the auditor’s report. • The possibility that management amends or updates the Other Information after the date of the auditor’s report but before the date of issuance of the Other Information. <p>This variability, as compared to when no Other Information is received at the date of the auditor’s report, will increase the expectation gap of users of annual reports.</p> <p>The timing of the receipt of Other Information within the Proposed Standard would also lead to potential audit documentation challenges. The Proposed Standard requires completing procedures in circumstances where that information becomes available after the issuance of the auditor’s report. It is unclear how this would work in practice as fieldwork could continue indefinitely until the Other Information is completed and the auditor is able to perform and conclude on their procedures on the Other Information, report on the Other Information and comply with the documentation requirements of the Proposed Standard. Further, the Proposed Standard does not provide adequate guidance on how to comply with other requirements of AU-C section 230, <i>Audit Documentation</i>, when Other Information is received after both the report release date and documentation completion date.</p> <p>If transparency of auditor involvement with Other Information is an objective beyond protecting the credibility of the audited financial statements, a potential solution may be to align the timing of the auditor’s required procedures and reporting over Other Information to the issuance of the annual report, and not the auditor’s report on the financial statements, analogous to the construct of AU-C section 945. If requested, the auditor would be engaged to perform the procedures consistent with the extant standard, and then would agree to include the auditor’s report in the Other Information by providing either an inclusion letter or by reissuing the auditor’s report to include a paragraph describing the auditor’s involvement. Following this model, an auditor could provide written agreement for using the auditor’s report in the annual report and include a modified sentence in the independent auditor’s report when issued that clearly states the scope of the agreement for including the auditor’s report on the financial statements in management’s annual report. For example:</p>

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Commenter	Specific Response
	<p>We were engaged to perform procedures over the Annual Report in accordance with the requirements of AU-C section 720, the purpose of which is to read and identify whether any information contained therein is materially inconsistent with the financial statements referred to above. Those procedures do not constitute an audit of the other information included in the Annual Report. Accordingly, we express no conclusion or opinion on such information.</p> <p>While there may be other practice considerations not addressed by this brief summary, this is one way to achieve an objective whereby both the auditor and management understand the documents that constitute the entity’s annual report, provide transparency related to auditor involvement, and continue to safeguard the credibility of the audited financial statements.</p> <p>If, however, the Board proceeds with this Proposed Standard, we recommend that an illustration similar to ISA 720 Illustration 2 be included to illustrate when certain Other Information has been obtained before the report release date and when certain Other Information is expected to be made available after the report release date. Further recommendations to the reporting requirements are included in response to Comment 5.</p>
27 - Deloitte & Touche LLP	Yes, except as it relates to our comment on paragraphs 2, A2, and A17 in the “Specific Comments” section above.
28 - National State Auditors Association	Yes, we believe the proposed requirements achieve the intent of ensuring the auditor and management understand specifically which documents are considered to constitute the entity’s annual report, and therefore are subject to the procedures required by the proposed SAS.

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Specific Request for Comment 3

- Will the work effort required by the proposed standard, in view of the proposed definitions, result in an improvement of the auditor’s understanding of the auditor’s responsibility for other information and, as a result, enable the auditor to perform a more thorough reading and challenging of statements included in (or omitted from) the other information that are inconsistent with the audited financial statements or the auditor’s knowledge obtained as part of the audit?

- Does the proposed SAS provide adequate guidance with respect to the auditor’s consideration of omitted or obscured information?

Commenter	Specific Response
1 - AICPA Technical Issues Committee	Yes, TIC believes the additional work effort would provide an improved understanding of the auditor’s, and management’s, responsibilities. TIC believes there also is adequate guidance concerning omitted or obscured information.
2 - Tennessee Department of Audit – Division of State Audit	Response to first bullet: This will very clearly result in more efficiencies and a better-quality audit. Response to second bullet: Yes.
3 - RSM US LLP	We believe the work effort required by the proposed standard will result in an improvement of the auditor’s understanding of the auditor’s responsibility for other information. The scope of the work as stated in the proposed standard is helpful and should enable the auditor to more thoroughly read the other information and challenge statements included in (or omitted from) the other information that are inconsistent with the audited financial statements or the auditor’s knowledge obtained as part of the audit. Because proposed paragraph 15 requires the auditor to consider whether there is a material inconsistency between the other information and the (a) financial statements and (b) auditor’s knowledge obtained in the audit, the concept of “material inconsistency” is a core element of the proposed standard. Providing a definition for, or further clarity about what is meant by, “material inconsistency” may increase the auditor’s understanding of the work effort required. Additionally, “material inconsistency” is used repeatedly in paragraph 15 and most of its related application paragraphs. However, in paragraph 15 and most of its related application paragraphs, “consistency” is also used. We believe “consistency” should be replaced with “material consistency” in paragraph 15 and its related application paragraphs.

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Commenter	Specific Response
	We believe the proposed SAS provides adequate guidance with respect to the auditor’s consideration of omitted or obscured information.
5 – CliftonLarsonAllen LLP	<p>Response to first bullet: We believe the proposed SAS will result in improvement of the auditor’s understanding of its responsibility.</p> <p>Response to second bullet: The proposed SAS states the auditor is not responsible for searching for omitted information or for the completeness of the other information. We agree because we do not believe auditor’s responsibilities should extend beyond the information presented. We suggest management be required to provide a written representation that management is responsible, and has fulfilled its responsibility, for the completeness of the other information included in the entity’s annual report and the information provided to the auditor.</p>
6 - Alexander, Aronson, Finning & Co., P.C.	<p>We recognized the need to enhance the auditor’s responsibility for the other information included in the annual reports that is available to the public, and the effort to avoid undermining the credibility of the financial statements and the auditor’s report thereon. According to paragraph 11 of the proposed SAS, one of the objectives of the audit, having read the other information, is to respond appropriately when the auditor identified that such material inconsistencies appear to exist, or when the auditor otherwise becomes aware that other information appears to be materially misstated. In addition, in the illustrations of other information section to be included in auditor’s reports states the following:</p> <p>“In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.”</p> <p>Although the auditor is not responsible to search for omitted information or for the completeness of the other information, the proposed SAS does imply that the auditor has responsibility to identify material misstatements in the other information that is brought to their attention (also see paragraphs A35 – A49). Auditors plan and perform auditor procedures to obtain sufficient appropriate audit evidence to form an opinion about an entity’s financial statements, not the other information. The proposed SAS introduces the concept of “material misstatements in other information” and may mislead the report users, and/or create unnecessary audit procedures performed on other information that is not part of the financial statements.</p>

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Commenter	Specific Response
	<p>In addition, we have some concerns over the inclusion of prospective information in the scope of this proposed SAS (paragraph A37). We understand that through the audit, the auditor may consider prospective information when examining future cash flows, impairment tests, etc. However, the proposed SAS should clarify if additional procedures/inquiries are required to be performed on prospective information included in an annual report that is not otherwise examined as part of the financial statement audit in order to ensure there are no material misstatements. Additionally, the proposed SAS should address those situations where no evidence can be obtained to support the prospective information. While the auditor is not providing an opinion on the other information, the auditor is still reporting that there are no uncorrected misstatements in the other information. There is concern that a reader of the annual report will mistake this for a guarantee that all prospective information was examined by the auditor. In a financial statement audit, there is disclosure in the footnotes about the vulnerability of estimates to future events. Similar language is not required in an annual report.</p> <p>Finally, in order to avoid confusion about the auditor’s responsibility for reading the other information in the annual reports, we recommend to replace the term “misstatement of the other information” with “inconsistency of the other information,” and redefine the “inconsistency” from the extant AU-C 720 to meet the objective of the proposed SAS.</p>
7 - Office of the Washington State Auditor	<p>The proposed AU-C results in clearer audit guidance; this guidance is adequate given the level of assurance provided. However, we noted the additional documentation requirement under proposed paragraph 720.25b is inconsistent with standards for audited financial statements (AU-C section 700), supplementary information (AU-C section 725), or required supplementary information (AU-C section 730). We would expect audit documentation requirements to be consistent in this area.</p>
9 - Association of Local Government Auditors	<p>Response to first bullet: Yes. The proposed definition of <i>misstatement of the other information</i> expands and clarifies the auditor’s responsibilities with respect to other information. This helps improve the auditor’s understanding of such responsibilities and promote a critical review or inquiry of statements included or omitted from the other information that are inconsistent with the audited financial statements or the auditor’s knowledge obtained during the audit.</p>
10 - Anders Minkler Huber and Helm, LLP	<p>We find the proposal to be overly confusing and, in some aspects, contradictory to itself. For example - regarding obtaining information, the proposal Paragraph 13 states the auditor should do the following:</p> <p>“a. Determine, through discussion with management, and obtain management’s written acknowledgment regarding, which document or documents compose the annual report, and the entity’s planned manner and timing of the issuance of such documents. b. Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the auditor’s report, the final version of the document or documents composing the annual report. c. When some or all of the documents determined in (a) will not be available until after the date of the auditor’s report on the financial statements, request management to provide a written</p>

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Commenter	Specific Response
	<p>representation that the final version of the documents will be provided to the auditor when available, and prior to the document’s issuance by the entity, such that the auditor can complete the procedures required by this proposed SAS. 14. If the auditor becomes aware that the entity did not provide the auditor with the final version of documents determined in accordance with paragraph 13a to be part of the annual report prior to the issuance of those documents to third parties, the auditor should take appropriate action.”</p> <p>Meanwhile, the proposed reporting guidance in Paragraph 22 states “The auditor’s report should include a separate section with the heading ‘Other Information,’ or other appropriate heading, when, at the date of the auditor’s report, the auditor has obtained some or all of the other information.” However there is no reporting guidance to correspond to Paragraph 13 c.</p> <p>Furthermore, we are extremely troubled by the remedies provided re: Paragraph 14 (in Application Paragraph 27), which state “In accordance with Paragraph 14, appropriate actions that the auditor may take include these: Obtaining those documents from management and performing the procedures required by this proposed SAS as soon as practicable, Communicating the matter to those charged with governance, if applicable, Considering the need to obtain legal advice.” We believe it is highly inappropriate for the auditing standards themselves to refer practitioners and firms to seek legal counsel.</p> <p>Finally, this scenario could create a significant problems vis- à- vis AU- C 560 and AU- C 230.</p>
11 - California Society of CPAs’ Accounting Principles and Assurance Services Committee	<p>Response to first bullet: Yes; we believe the proposed standard will result in a more thorough reading and challenging of the statements and other information.</p> <p>Response to second bullet: Yes; the proposed SAS provides adequate guidance to the auditor on omitted or obscured information.</p>
12 - Baker Tilly Virchow Krause, LLP	<p>We believe that the guidance related to the auditor’s consideration of omitted information should be clarified. The performance requirements in paragraph 15 do not specifically mention omitted information, but the definition of a misstatement of other information includes the following, “...omits...information necessary for a proper understanding of a matter disclosed in the other information,” therefore, it is implied that the auditor is responsible for considering whether other information has been omitted. While paragraph .A13 clarifies that the auditor is not responsible for searching for omitted information, we believe that the guidance in the proposed standard should be further enhanced by adding guidance that the auditor is only responsible for “obvious” omissions. We do not believe that merely reading other information is sufficient for an auditor to be expected to identify anything other than obvious misstatements.</p>

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13 - Laura Lindal, CPA	See comments under 1. for clarification needed regarding the auditor's responsibility regarding information included in an annual report that is other than the financial statements and the auditor's report thereon.
14 - National Association of State Boards of Accountancy (NASBA)	<p>Formalizing the process in in the Statement to require reporting over other information should allow users to better understand what the auditor has done, and taken responsibility for, related to this information.</p> <p>NASBA believes that when evaluating the other information for consistency with the audited financial statements and misstatement, the auditor should utilize all the knowledge about the client that the engagement team has, not just the knowledge specifically obtained as part of the audit. NASBA notes the requirement in proposed paragraph 16 and the application guidance in proposed paragraphs A43-44 which involves the auditor's consideration of other information obtained from sources beyond the audit. However, we believe it is difficult to distinguish between information from and not from the audit, and believe such differentiation in the proposed standard causes unnecessary complexity and confusion.</p>
15 - Smith & Howard PC	No specific changes considered necessary on these particular points, but see our general comments above regarding the overall problems with the proposed revisions.
16 - Office of the Auditor General	<p>Response to first bullet: We consider the wording as sufficient to enable the auditor to read the other information and properly inform readers of inconsistencies, misstatements of fact, or omissions.</p> <p>Response to second bullet: Yes, the proposed wording is sufficient to inform the auditor of their responsibility regarding omissions or obscured information.</p>
17 - Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants	<p>We believe the proposed definitions of other information will result in an improvement of the auditor's understanding of their responsibility to this information, providing transparency between the auditor and management, however do not believe it will enable the auditor to perform a more thorough reading and challenging of the statements included in other information than what is currently required.</p> <p>The proposed standard does not require the auditor to search for omitted information or for the completeness of the other information and therefore provides more than adequate guidance with respect to the auditor's consideration of omitted or obscured information.</p>
18 - Audit and Assurance Services Committee of the Illinois CPA Society	We believe that the proposed definitions and guidance related to reading other information are operational and will improve the auditor's understanding of its responsibilities.
19 - BDO USA, LLP	Response to first bullet:

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	<p>We do not believe the work effort required will result in any improvement in the auditor’s understanding of the auditor’s responsibility for other information, nor do we believe that this work effort is necessary to enable the auditor to perform a more thorough reading and challenging of statements included in (or omitted from) the other information that are inconsistent with the audited financial statements or the auditor’s knowledge obtained as part of the audit.</p> <p>We believe the work effort needs to be considered not only within the context of the proposed definitions but also within the context of the objectives of the auditor. Paragraph 11 states:</p> <p>The objectives of the auditor, having read the other information [emphasis added], are as follows:</p> <ul style="list-style-type: none"> a. To consider whether there is a material inconsistency between the other information and the financial statements b. To consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit c. To respond appropriately when the auditor identifies that such material inconsistencies appear to exist, or when the auditor otherwise becomes aware that other information appears to be materially misstated d. To report in accordance with this proposed SAS. <p>However, the requirements in the standard, paragraph 15.a. in particular, go beyond a reading, and as such, the suggestion in the objective that a reading is sufficient may be confusing.</p> <p>The requirement in paragraph 15.a. requires the auditor to read the other information and do the following:</p> <p>Consider whether there is a material inconsistency between the other information and the financial statements. As a basis for this consideration, the auditor should, to evaluate their consistency, compare selected amounts or other items in the other information [emphasis added] (that are intended to be the same as, to summarize, or to provide greater detail about the amounts or other items in the financial statements) with such amounts or other items in the financial statements.</p> <p>Response to second bullet: We believe the application material in paragraphs A12 and A13 provides sufficient guidance regarding the auditor’s consideration of omitted or obscured information. In particular we believe the guidance in paragraph A12, which explains that the auditor is not responsible for searching for omitted information or for the completeness of the other information – is essential guidance.</p>

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20 - Grant Thornton LLP	Overall, we agree that the proposed requirements, along with the proposed definitions, can provide a better understanding of the auditor’s responsibilities for other information. While there may be initial confusion about operationalizing the requirements with regard to the notions of “omit” or “obscure,” the application guidance appears reasonably sufficient to guide auditors.
21 - Crowe Horwath LLP	<p>We believe that extant AU-C section 720 is sufficiently clear regarding the auditor’s responsibility to determine if the other information is materially inconsistent with the financial statements or the auditor’s knowledge obtained in the audit. Thus, generally we don’t believe there will be a significant change in auditor responsibilities or procedures as a result of the Proposed Standard. However, the expansion of the standard to clarify that the auditor should evaluate the other information specifically related to the omission of certain information or to a presentation that may obscure relevant other information may refocus the mindset of the auditor, resulting in a more thorough reading and evaluation of the other information. We believe the Proposed Standard provides adequate guidance with respect to the auditor’s consideration of omitted or obscured information, specifically via application paragraphs A12 and A13. We also believe the Proposed Standard provides sufficient clarification of the auditor’s responsibility when referring to a component auditor in a group audit.</p> <p>Related to the requirement to read the other information and consider whether there are material inconsistencies or misstatements, we appreciate the inclusion of paragraphs A28 and A29. The successful implementation of this Proposed Standard will be dependent upon the performance of the required procedures by the appropriate individual(s) on the audit engagement team. While the referenced standards of AU-C sections 200 and 220 are not new, we believe their proper application is critical in carrying out the auditor’s responsibility relating to other information included in annual reports.</p>
22 - North Carolina Association of Certified Public Accountants	<p>Response to first bullet:</p> <p>While we agree with the new standard, we believe the majority of auditors are already performing the audit procedures the guidance is now specifically identifying.</p> <p>Response to second bullet:</p> <p>The joint task force would like the words “known” and “unknown” to differentiate before the word “omitted” in regards to information to protect the auditor legal repercussions from unknown omitted information. Although, a little further in the guidance you do state the auditor is not required to search for omitted information or to determine the completeness of the other information.</p>
23 - PricewaterhouseCoopers LLP	<i>Proposed definitions</i>

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Commenter	Specific Response
	<p>As highlighted in our cover note, we do not support the proposed change from “material inconsistency” and “material misstatement of fact” to a broader concept of a “[material] misstatement of the other information” for a number of reasons.</p> <p>We are concerned that there is no framework against which the auditor can consider the other information (in particular, nonfinancial other information) to evaluate whether the other information is misleading, particularly in light of the auditor’s lack of subject-matter expertise regarding certain nonfinancial other information. The guidance in paragraph A49, which supports the requirement in paragraph 17, does not adequately explain how the auditor can conclude whether or not a material misstatement exists sufficient to support a conclusion in the auditor’s report.</p> <p>Further, the exposure draft references that “in many cases there may be no applicable framework that includes a discussion of the concept of materiality as it applies to the other information.” Under the existing standards, materiality is developed in the context of the financial statements as a whole (AU-C 320.10). The definition of materiality included within AU-C 320.10 encompasses the financial statements, but not the other information included within an annual report. Decisions related to the materiality of other information are often subjective judgments made by management (with the recommendation of counsel), as well as other stakeholders with whom we have no contact.</p> <p>Moving towards a focus on “knowledge obtained in the audit,” coupled with new reporting on the other information in the auditor’s report, could increase the expectations gap and mislead users as to the auditor’s responsibilities. In many cases, the auditor would not have been required to obtain knowledge in the audit about certain matters that are discussed in the other information - which is why we believe the more narrow concept of a “material misstatement of fact” remains appropriate.</p> <p>We also note the concept of materiality with respect to other information is not well-defined. The ASB should clarify whether the intent is for auditors to use the materiality calculated for the financial statements, or if the ASB intends for the auditor to establish a separate materiality level for purposes of assessing the other information in accordance with the proposed standard.</p> <p><i>Omitted information</i></p> <p>We are concerned with the intent articulated in <i>Specific Request for Comment 3</i> that the auditor will be expected to challenge statements “included in (or omitted from) the other information that are inconsistent with the audited financial statements or the auditor’s knowledge obtained as part of the audit.” While paragraph A12 of the proposed SAS explains “the auditor is not responsible for searching for omitted information or for the completeness of the other information,” it is unclear how the auditor determines if</p>

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	<p>there is nonfinancial information that has been omitted that would make the other information misleading. We do not find the remaining guidance in paragraphs A12-A13 that addresses whether information omits or obscures a proper understanding of the matters disclosed to be helpful. We believe these concepts will be difficult to apply in practice, particularly in relation to nonfinancial information or matters in the annual report the auditor would not reasonably be expected to know based on the audit.</p> <p><i>Work effort</i></p> <p>We believe it is important for the ASB to differentiate the expected effort an auditor would need to apply to (1) other information directly related to or derived from the financial statements and (2) nonfinancial other information. We are particularly concerned with the new requirement in paragraph 16 that would require the auditor to remain alert for indications that other information not related to the financial statements or the auditor’s knowledge obtained in the audit appears to be misstated. There is potentially a wide variety of such nonfinancial and non-audit-related other information, and we think it will be difficult for auditors to understand what is intended by the phrase “appears to be materially misstated.”</p> <p>Our suggested edits in paragraphs 15-21 of Appendix 2 are intended to address these concerns, while at the same time exploring how the auditor’s work effort could be enhanced, as follows:</p> <ul style="list-style-type: none"> ● Grounding the proposed SAS in the extant terminology of material inconsistency and material misstatement of fact, with the latter concept relating to nonfinancial other information. ● Requiring the auditor to perform procedures on other information directly related to the audited financial statements, with a focus on selected amounts or other items that are intended to be the same as, to summarize, or to provide greater detail about amounts or other items in the financial statements (incorporating elements of paragraphs A30-A32). ● Explaining that the auditor’s consideration of a material inconsistency relates to whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the audited financial statements (incorporating elements of paragraphs A33-A34). ● Explaining that the auditor would recalculate the amounts in other information when the formula is described in the annual report, the formula is generally understood, or the recalculation can be performed without referring to a formula.

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	<ul style="list-style-type: none"> ● Reframing the concept in the proposed SAS that the auditor should “remain alert” for indications that other information not related to the financial statements or the auditor’s knowledge obtained during the audit appears to be materially misstated. We believe the extant concept of a material misstatement of fact could be retained, by promoting the concept that the auditor should remain alert for indications that the other information not directly related to the financial statement contains a material misstatement of fact. In this instance, we believe the auditor would be making this consideration based on the auditor’s knowledge gained in the course of conducting the audit, as done in practice today. Appropriate guidance to explain how the auditor can leverage the knowledge gained in the audit could be developed to support this new requirement (e.g., guidance as to the extent that procedures performed in the audit to support the auditor’s opinion may provide relevant information in relation to considering material misstatements of fact (incorporating elements of par. A40-A44)). However, the proposed SAS should also emphasize the auditor may not have the expertise to assess the validity of certain statements in the other information in a manner similar to AS 2710. ● Removing requirements and guidance that set out an expectation for the auditor to consider omitted or obscured information, in the absence of a framework for annual reports for private companies. ● Suggesting explicit potential actions when the auditor determines either the other information needs to be corrected or the financial statements are materially misstated. Notwithstanding these suggestions, we remain concerned with placing incremental responsibility on the auditor to “seek to have the uncorrected material misstatement appropriately brought to the attention of anyone in receipt of the financial statements and the auditor’s report.” This approach is incremental to existing obligations to consider this circumstance in the context of AU-C section 560.
24 - Virginia Society of CPAs Accounting & Auditing Advisory Committee	<p>Response to first bullet: Yes. We believe that the requirement to determine whether there will be an annual that report will contain or accompany the complete set of financial statements, including footnote disclosures and the auditor’s report thereon, will help prevent instances where an annual report is released without the auditor’s awareness of such a document or the ability to timely complete the auditor’s required procedures over other information that accompanies the audited financial statements and the auditor’s report thereon.</p> <p>Response to second bullet: Yes. We believe the guidance is clear that an auditor is not responsible for searching for omitted information or for the completeness of the other information, but should remain alert when reading other information for potential material misstatement by omitting or obscuring information necessary for a proper understanding by users of other information in the annual report.</p>

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<p>25 - Ernst & Young LLP</p>	<p>We support the ASB’s efforts to clarify the auditor’s responsibilities with respect to other information included in annual reports. However, we believe the ASB should revise and clarify aspects of the proposal to make it more operable and promote consistent application by auditors.</p> <p>Under the proposed SAS, a misstatement of other information exists “when the other information is incorrectly stated or otherwise misleading (including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information).” As previously stated, we believe the concept of “misleading” in the definition of “misstatement of other information” would be subject to interpretation, and the proposed application guidance with respect to the auditor’s consideration of omitted or obscured information is not clear about what an auditor would have to do to comply with this requirement.</p> <p>We recognize that similar language has already been adopted in many foreign jurisdictions, but we don’t believe the proposed SAS is sufficiently clear and operable, given the legal environment in the US.</p> <p>We also note that auditors may not have the expertise to assess the validity of certain statements that are not directly related to the audited financial statements, and this would make it more difficult for auditors to comply with the proposed performance responsibilities.</p> <p>Given these concerns, we recommend that the ASB use the existing definitions of “misstatement of fact” and “inconsistency” and add language to make it clear “misstatement of fact” is associated with information not directly related to the financial statements and “inconsistency” is associated with information directly related to the financial statements, which make a clearer distinction between the auditor’s responsibilities with respect to the two types of other information included in the annual report. We believe the proposed application guidance in paragraph .A14 for assessing the materiality of other information would be a useful addition to help the auditor consider whether a material misstatement of fact or inconsistency exists.</p> <p>We recognize that introducing the concept of “misleading” into AU-C 720 would better align generally accepted auditing standards with ISA (Revised), 720, <i>The Auditor’s Responsibilities Relating to Other Information</i>. But we also observe that the AICPA’s Professional Code of Conduct uses the term more narrowly than the International Ethics Standards Board for Accountants (IESBA) Code of Ethics. Paragraph 110.2 of the IESBA Code of Ethics states that “a professional accountant shall not knowingly be associated with reports, returns, communications or other information where the professional accountant believes that the information:</p>

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	<p>(a) Contains a materially false or misleading statement; (b) Contains statements or information furnished recklessly; or (c) Omits or obscures information required to be included where such omission or obscurity would be misleading.”</p> <p>In contrast, the AICPA’s Integrity and Objectivity Rule and Acts Discreditable Rule uses the term “misleading” only in the context of an auditor’s association with financial statements and records. Accordingly, if the ASB proceeds with its proposed definition of material misstatement, which includes the use of the term “misleading,” we recommend that the Board also consider the need for conforming amendments to the AICPA’s Professional Code of Conduct.</p> <p>Recommended limited procedures Because auditors may not have the expertise to assess the validity of certain statements included in annual reports that are not directly related to the audited financial statements, we believe any final SAS adopted by the ASB should make a clearer distinction between the performance requirements as to other information that is directly related to the audited financial statements and the performance requirements as to other information that is not.</p> <p>The auditor should read the other information included in the annual report in its entirety, and with respect to material other information directly related to the audited financial statements, we recommend that any final SAS adopted by the ASB require the auditor to:</p> <ul style="list-style-type: none"> ▶ Compare the amounts in the other information that are the same as or provide greater detail about the amounts in the financial statements and their presentation with (1) the amounts in the audited financial statements or (2) the amounts in accounting records that are subject to the audit or amounts that have been derived directly from such accounting records by analysis or computation ▶ Compare qualitative statements that represent or provide greater detail about information in the financial statements to (1) the audited financial statements or (2) accounting records that are subject to the audit or have been derived directly from such accounting records by analysis or computation ▶ Recalculate the amounts in the other information that are calculated using amounts in (1) the other information, (2) the audited financial statements or (3) accounting records that are subject to the audit or have been derived directly from such accounting records

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	<p>by analysis or computation</p> <p>While reading the other information, the auditor should remain alert for indications that the other information not related to the financial statements appears to contain a material misstatement of fact, based on knowledge obtained during the audit.</p> <p>If, based on the procedures performed, the auditor becomes aware of a potential material inconsistency with the audited financial statements, a potential material misstatement of fact in the other information or both, the auditor should discuss the matter with management, and if necessary perform procedures to conclude whether a material inconsistency or material misstatement of fact of the other information exists, whether a material misstatement of the financial statements exists, or whether the auditor’s understanding of the entity and its environment needs to be updated.</p> <p>We believe requiring the auditor to perform these procedures would reduce the amount of auditor judgment required and would promote consistency in the nature and extent of procedures performed by auditors.</p> <p>Use of the term ‘evaluate’ As stated in our cover letter, we don’t support the use of the term “evaluate” in the proposed performance requirements in paragraphs 15a, A29, A31 and A34 because the auditing standards use that term to describe the procedures the auditor performs in reaching and supporting the audit opinion (i.e., a reasonable assurance performance standard). We believe that using the term “evaluate,” in the context the ASB has proposed, may imply that the auditor is obtaining reasonable assurance with respect to other information in annual reports. As illustrated in our recommended procedures, we don’t believe use of the term is necessary to convey what we believe to be the intended performance requirement. If the Board proceeds with its proposal, we strongly recommend the following edits to the proposed requirements:</p> <ul style="list-style-type: none"> ▶ Proposed paragraph 15a: Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor should, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarize, or to provide greater detail about the amounts or other items in the financial statements) with such amounts or other items in the financial statements. ▶ Proposed paragraph A29, third bullet: The degree of judgment involved in addressing the requirements of paragraphs 15–16; for

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	<p>example, performing procedures to evaluate the consistency of <u>compare</u> amounts in the other information that are intended to be the same as amounts in the financial statements may be carried out by less experienced engagement team members.</p> <ul style="list-style-type: none"> ▶ Proposed paragraph A31: In evaluating the consistency of <u>comparing</u> selected amounts or other items in the other information with the financial statements, the auditor is not required to compare all amounts or other items in the other information that are intended to be the same as, to summarize, or to provide greater detail about the amounts or other items in the financial statements, with such amounts or other items in the financial statements. ▶ Proposed paragraph A34: Evaluating the consistency of <u>Comparing</u> selected amounts or other items in the other information with the financial statements includes, when relevant given the nature of the other information, the manner of their presentation compared to the financial statements.
26 - KPMG LLP	<p>In current practice, we understand the requirements of extant AU-C section 720, and our engagement letters describe our responsibility to read the Other Information to identify material inconsistencies with the audited financial statements. The additional work effort contemplated in this Proposed Standard does not improve, but rather, confuses our understanding of the auditor’s responsibility. It may be misunderstood by users of the financial statements (as discussed in this response and in our response to Comments 2 and 5), and may restrain the range and nature of information management communicates to stakeholders. An annual report is a management vehicle to provide information that may be well beyond what is required by the applicable financial reporting framework and, consequently, may have appropriately not been subject to audit procedures. We do not support shifting the auditor’s objective from the credibility of the audited financial statements to whether management has obscured information in its message to its stakeholders. Our specific concerns include:</p> <p><i>Scope of responsibility for Other Information that is unrelated to the financial statements</i></p> <p>The Proposed Standard requires the auditor to consider material inconsistencies between the Other Information and the auditor’s knowledge obtained in the audit. “Knowledge obtained in the audit” is too broad of a concept and, if not better defined, may be interpreted as anything in the entity’s annual report that does not comport with any part of audit documentation, or the understanding of any member of the engagement team whether or not documented. Where the Other Information is not directly related to the financial statements, its relevance to the scope of the audit that was performed is that much less clear. That lack of clear connectivity leaves the auditor subject to varying interpretations of their responsibilities. We recommend the Proposed Standard limit the auditor’s responsibility to comparing the Other Information to the amounts in the financial statements and the accounting records that are subject to the audit, or have been derived directly from those accounting records by analysis or computation (similar to concept of</p>

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	<p>supplementary information in AU-C section 725). This would clarify the auditor’s responsibility and make it more consistent with current auditing standards and today’s practice.</p> <p><i>Use of ‘evaluate’</i> Several instances of the uses of the term evaluate in the Proposed Standard suggest the auditor is performing procedures that are more often associated with obtaining audit evidence to express reasonable assurance (an opinion or conclusion on the Other Information). The term creates an expectation gap related to the auditor’s responsibility. The table presents suggested edits to replace the term ‘evaluate’ with a verb more appropriate for the intent of the Proposed Standard</p> <p>Paragraph Suggested edit (additions are <u>underlined</u>; deletions are struck through)</p> <p>15(a) Consider whether there is a material inconsistency between the other information and the financial statements. As the basis for this consideration, the auditor should, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarize, or to provide greater detail about the amounts or other items in the financial statements) with such amounts or other items in the financial statements. (Ref: par. A30–A34)</p> <p>A29, third The degree of judgment involved in addressing the requirements of paragraphs 15–16; for example, performing bullet procedures to evaluate <u>compare</u> the consistency of amounts in the other information that are intended to be the same as amounts in the financial statements may be carried out by less experienced engagement team members</p> <p>A31 In evaluating <u>comparing</u> the consistency of selected amounts or other items in the other information with the financial statements, the auditor is not required to compare all amounts or other items in the other information that are intended to be the same as, to summarize, or to provide greater detail about the amounts or other items in the financial statements, with such amounts or other items in the financial statements.</p> <p>A34 Evaluating <u>Comparing</u> the consistency of selected amounts or other items in the other information with the financial statements includes, when relevant given the nature of the other information, the manner of their presentation compared to the financial statements.</p> <p><i>Documentation</i> The requirements detailed in the Proposed Standard increase the required documentation to evidence performance (including the need to perform procedures on Other Information that is not directly related to the financial statements as detailed above). We recommend that the Board include additional guidance related to documentation within the Proposed Standard, to provide an auditor with a basis for documenting and retaining the results of their work.</p>

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	<p><i>Omitted or obscured information</i></p> <p>We do not believe that the Proposed Standard provides adequate guidance about the auditor’s responsibility related to omitted or obscured information. We recommend that this concept be removed from the standard by deleting “(including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information)” and the related application paragraphs of A12 and A13. As there is no professional framework that provides guidance about required disclosure in an annual report or Other Information, the auditor cannot determine, through the limited procedures discussed within the Proposed Standard, what information may be omitted or obscured by the Other Information. This is a management responsibility and we do not believe that the auditor can properly assess omitted or obscured information based on the limited procedures of the Proposed Standard.</p>
27 - Deloitte & Touche LLP	<p>Response to first bullet: Yes, except as it relates to our comments on paragraphs 20, 22, A33, A55, and A56 in the “Specific Comments” section below, and our suggestion that application material be provided to clarify the responsibilities of the successor and predecessor auditors in the “Overall Comments” section above.</p> <p>Response to second bullet: Yes, except as it relates to our comments on paragraphs A12 and A13 in the “Specific Comments” section above.</p>
28 - National State Auditors Association	<p>Response to first bullet: The work effort the proposed standard requires seems consistent with the procedures many of our state auditors are already performing and may improve all auditors’ understanding of their responsibilities and lead to more consistent application of the requirements.</p> <p>Response to second bullet: The guidance seems contradictory. In paragraph 4, the auditor is required to read and consider the other information because other information that is materially inconsistent with the financial statements, or the auditor’s knowledge obtained in the audit, may indicate that there is a material misstatement of the other information. Also, in paragraph 12, the definition of “misstatement of other information” includes the omission of information because it misleading. However, paragraph A12 states that the auditor is not responsible for searching for omitted information or for the completeness of other information. How can an auditor determine if there is a material misstatement due to omitted information if we are not responsible for searching for the information? We suggest the board clarify the auditor’s responsibilities relating to omitted or obscured information.</p>

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Specific Request for Comment 4

Does the proposed SAS provide adequate guidance for group auditors when a group auditor decides to make reference to a component auditor in the auditor’s report on the group financial statements?

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1 - AICPA Technical Issues Committee	Yes, TIC believes that adequate guidance is provided for group auditors when a group auditor decides to make reference to a component auditor in the auditor’s report on the group financial statements.
2 - Tennessee Department of Audit – Division of State Audit	Yes
3 - RSM US LLP	We believe the proposed SAS provides adequate guidance for group auditors when a group auditor decides to make reference to a component auditor in the auditor’s report on the group financial statements.
5 – CliftonLarsonAllen LLP	We believe the proposed SAS provides adequate guidance for group auditors when a group auditor decides to make reference to a component auditor in the auditor’s report on the group financial statements.
6 - Alexander, Aronson, Finning & Co., P.C.	Yes.
7 - Office of the Washington State Auditor	Yes. In cases where the group auditor is relying on the work of a component auditor, proposed AU-C section 720.A36 appears to allow the group auditor’s procedures to be based on only their audit of the group financial statements and that no additional procedures to check with the component auditor about other information. This is appropriate, because no assurance is provided on other information.
9 - Association of Local Government Auditors	Yes. Paragraph A38 of the proposed SAS provides sufficient guidance for group auditors when a group auditor decides to make reference to a component auditor’s report on the group financial statements. The last part of the paragraph, which states “the group auditor’s knowledge does not extend beyond that obtained by group auditor during the audit of the group financial statements” is particularly important because it sets a clear boundary on the auditor’s knowledge and responsibility.
10 - Anders Minkler Huber and Helm, LLP	The guidance provided with respect to group audits appears adequate.
11 - California Society of CPAs’ Accounting Principles and Assurance Services Committee	Yes; the proposed SAS provides adequate guidance for group auditors to make reference to component auditors.
13 - Laura Lindal, CPA	A38 seems straightforward and adequate.

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14 - National Association of State Boards of Accountancy (NASBA)	<p>When a group auditor decides to make reference to a component auditor in the auditor’s report on the group financial statements, we believe the group engagement partner should provide the component auditor the opportunity to review the “other information” in the annual report that relates to the component entity, if they are not otherwise familiar with the component entity’s other information. Users of the financial statements likely expect the same responsibility regarding “other information” that the group auditor is reporting on at the consolidated entity level.</p> <p>Paragraph 22 introduces the concept that some other information may not be available at the time of the issuance of the audit report. The additional guidance in A59 indicates that the auditor may consider identifying other information that the auditor may obtain after issuance of the audit report. We do not understand how an auditor can consider taking responsibility for information that they have not seen. In situations where the auditor believes other information will be included in the annual report after issuance of the audit report, we believe that the auditor should either include an “other matter” paragraph which indicates they have not read or done any other procedures on this potentially forthcoming information, or they should issue a dual-dated opinion addressing this updated information upon receiving the additional information from the client.</p>
15 - Smith & Howard PC	No specific changes considered necessary on these particular points, but see our general comments above regarding the overall problems with the proposed revisions.
16 - Office of the Auditor General	Yes we consider the wording as appropriate and have no suggested revisions.
17 - Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants	The Committee concurs there is adequate guidance for group auditors, in view of the fact that the group auditor’s knowledge does not extend beyond that obtained during the audit of the group financial statements.
18 - Audit and Assurance Services Committee of the Illinois CPA Society	We believe that the proposed guidance regarding when group auditors decide to make reference to a component auditor in the auditor’s report is adequate and operational.
19 - BDO USA, LLP	Paragraph A38 explains how the requirement in paragraph 15, to read the other information, applies in a group audit situation. We believe the application material regarding the auditor’s responsibility when the group auditor decides to make reference to a component auditor is clear in that the group auditor does not assume responsibility for the work of component auditors in this situation since the group auditor’s knowledge does not extend to the component auditor’s knowledge.
20 - Grant Thornton LLP	We found the requirements and guidance for when a group auditor makes reference to a component auditor in the auditor’s report to be unclear, and we have provided more specific comments or revisions in the accompanying appendix. Ultimately, the “read and consider” requirement is based on what the auditor knows, so it is therefore up to the auditor to determine what he/she needs to do in

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	order to meet the requirements of the standard. Therefore, we encourage the Board to keep the requirements principles-based and to provide for auditor judgment.
22 - North Carolina Association of Certified Public Accountants	If the component auditor is mentioned in the report, should the component auditor be given the opportunity to read the other information in relation to the work they have performed? We would expect that when a component auditor is mentioned in the report they would be allowed to confirm or deny that they were able to read the other information in the annual report. If the group auditor takes full responsibility for the reasonableness of the other information, then the component auditor would likely not be mentioned in the report.
23 - PricewaterhouseCoopers LLP	<p>We expect the group auditor to read the other information in its entirety, even in the limited situations when responsibility for the audit is divided. We believe this is consistent with practice today. In such circumstances, we would expect the group auditor to request the other auditor to read the other information and perform the procedures included in the proposed SAS to the extent matters in the other information relate to the part of the audit performed by the other auditor. We believe the guidance in paragraph A38 could explain this.</p> <p>However, we are concerned that the need for this guidance results from the practical challenges of introducing both a requirement to consider knowledge obtained in the audit, as well as an affirmative statement in the auditor’s report. Should other requirements change in response to our concerns, paragraph A28 could be deleted.</p>
24 - Virginia Society of CPAs Accounting & Auditing Advisory Committee	Yes.
25 - Ernst & Young LLP	<p>We support the ASB’s efforts to clarify the group auditor’s responsibilities for other information included in the annual report. However, we believe the proposed application guidance needs further clarification to appropriately address these situations. If the Board proceeds with its proposed SAS instead of our recommended procedures described in Attachment B, we believe the following edits would improve the clarity of the proposed guidance. With respect to proposed paragraph .A38 we recommend the following edit:</p> <p>► In the case of a group audit, though the group auditor is required to read the entirety of the other information if, in accordance with paragraph .24 of AU-C section 600, <i>Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)</i>, the group auditor decides to make reference to a component auditor in the auditor’s report on the group financial statements, the group auditor’s knowledge <u>is limited to</u> does not extend beyond that obtained by the group auditor <u>while performing the procedures required by paragraph .27 of AU-C section 600</u> during the audit of the group financial statements.</p>

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	<p>In addition, we recommend the last sentence of proposed paragraph .A42 be modified as illustrated below because as written it could be read to imply there may be additional work required when the group auditor references the component auditor for a significant component of the group financial statements:</p> <p>► A42. Whether, and if so the extent to which, the auditor refers to relevant audit documentation or makes inquiries of relevant members of the engagement team or relevant component auditors is a matter of professional judgment. However, it may not be necessary for the auditor to refer to relevant audit documentation or to make inquiries of relevant members of the engagement team or relevant component auditors about any matter included in the other information. This may be the case, for example, when the group auditor decides to make reference to a component auditor in the auditor’s report in accordance with paragraph .24 of AU-C section 600 and the group auditor has obtained sufficient knowledge in connection with the group audit about matters in the other information relating to a significant component.</p>
26 - KPMG LLP	We believe that the Proposed Standard provides adequate guidance for group auditors when the group auditor decides to refer to a component auditor in the auditor’s report. However, the guidance is unclear about the responsibilities for component auditors in this scenario (i.e. would a component auditor that is referred to in an auditor’s report have increased responsibilities over a component auditor that is not referred to in an auditor’s report). We recommend that the Board consider this and include more specific application material to clarify the requirements.
27 - Deloitte & Touche LLP	Yes, except as it relates to our suggestion that the other information section in the auditor’s report be included immediately after the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of the auditor’s report in the illustrations of the proposed SASs related to auditor reporting. See the “Overall Comments” section above for additional discussion.
28 - National State Auditors Association	In cases where the group auditor is making reference to a component auditor, proposed paragraph A38 makes it clear that the group auditor’s knowledge does not extend beyond that obtained by the group auditor during the audit of the group financial statements.

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Specific Request for Comment 5

Does the proposed requirement for the auditor to include a separate section in the auditor’s report addressing other information appropriately convey the nature and extent of the auditor’s consideration of other information without inappropriately implying that the auditor has obtained assurance on or is expressing an opinion or conclusion on the other information?

Commenter	Specific Response
1 - AICPA Technical Issues Committee	Yes, TIC believes the proposed report examples appropriately and clearly identify the other information and the auditors’ responsibilities. The report is clear in that it indicates that the auditor does not express an opinion or any assurance on the Other Information.
2 - Tennessee Department of Audit – Division of State Audit	Yes
3 - RSM US LLP	We believe the proposed requirement for the auditor to include a separate section in the auditor’s report addressing other information appropriately conveys the nature and extent of the auditor’s consideration of other information without inappropriately implying that the auditor has obtained assurance on or is expressing an opinion or conclusion on the other information.
5 – CliftonLarsonAllen LLP	We believe the third paragraph should be expanded to indicate the auditor is not responsible for searching for omitted information or for the completeness of the other information. We also believe further clarification is necessary regarding when the other information section in the auditor’s report is required. Paragraph 22 in the proposed SAS indicates it should be included when, at the date of the auditor’s report, the auditor has obtained some or all of the other information. Paragraph A59 then indicates the auditor may consider the identification in the auditor’s report of other information that the auditor expects to obtain after the date of the auditor’s report. This appears to indicate the auditor could include the other information section when none of the other information has been received prior to the auditor’s report.
6 - Alexander, Aronson, Finning & Co., P.C.	The separate section included in the auditor’s report relating to other information included in the annual report clearly documents that the auditor’s opinion on the financial statements does not cover the other information or provide any assurance on it. However, the other information section does imply the auditor has responsibility to perform procedures to identify material misstatements in the other information and report the results of procedures performed, even though the auditors’ did not provide an opinion on it.
7 - Office of the Washington State Auditor	A separate header in the auditor’s report is an improvement that will help distinguish other information. However, proposed requirements to include a description of the auditor’s responsibilities related to reading, considering and reporting on other information, along with a statement that the auditor has nothing to report, seems contradictory to proposed requirements that the auditor does not express an opinion or any form of assurance. In our view, an explicit statement that the auditor has

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	responsibilities to perform certain procedures and the auditor’s conclusions are based on those procedures would seem to be “a form of assurance.” In essence, a reader could interpret the report as now indicating assurance that the other information is not materially misstated. In contrast, current reporting requirements are appropriate, clear, and minimizes opportunity for readers to incorrectly assume auditor assurances were provided.
9 - Association of Local Government Auditors	Yes. The proposed requirement for the auditor to include a separate section in the auditor’s report addressing <i>other information</i> appropriately conveys the nature and extent of the auditor’s consideration of other information without inappropriately implying that the auditor has obtained assurance on or is expressing an opinion/conclusion on the other information. This requirement addresses a key gap that is present in the extant AU-C section 720. Also, allowing use of the proposed heading “Other Information” or other appropriate heading gives the auditor flexibility in using the most appropriate heading for the other information.
10 - Anders Minkler Huber and Helm, LLP	We feel very strongly that the inclusion of a separate section in the auditor’s report addressing other information will inappropriately imply that the auditor is expressing an opinion or conclusion on the other information. Furthermore, we believe the communication as proposed, would be far more appropriate in a management letter or communication to those charge with governance.
11 - California Society of CPAs’ Accounting Principles and Assurance Services Committee	<p>The committee feels this requirement should not be required but allowed to be optional. Once the auditor issues an audit report, they cannot control when and in what subsequent context the report appears and whether the information contained in the annual report may change. Since there is no requirement for the auditor to “consent” or “re-issue” an audit report with an annual report, this requirement should be optional as is in current practice.</p> <p>Conversely, we believe the absence of a statement about include other information should be sufficient for most readers of the financial statements.</p>
12 - Baker Tilly Virchow Krause, LLP	Despite stating that the auditor does not express an opinion or any form of assurance on the other information included in the annual report, we believe financial statement users may infer that assurance is being expressed as a result of the reporting requirement included in the proposed standard; therefore, we recommend reporting only be required when the auditor has identified an uncorrected material misstatement. If the requirement to report when no uncorrected material misstatements have been identified is not removed from the proposed standard, we believe the reporting requirements in paragraphs 23.d. (describing the auditor’s responsibilities) and 23.e.i. (stating that the auditor has nothing to report when no uncorrected material misstatements are identified) should be removed from the proposed standard. We believe removing these paragraphs would reduce the risk that financial statement users might infer that assurance is being expressed.
13 - Laura Lindal, CPA	The first two paragraphs under the Other Information section are direct and clear (described in 23a-c). Then the third paragraph (described in 23d&e) says that the auditor did something, including considered materiality and knowledge obtained; this seems to “undo” what was directly said about the auditor’s opinion. While auditors understand the difference between performing procedures

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	<p>and issuing an opinion, most users are not going to understand the subtle distinction. I recommend that the language stop after the second paragraph of “. . . not express an opinion or any form of assurance on it.”</p> <p>For Illustrations 2-4 I recommend eliminating the third paragraph and in the fourth paragraph, just eliminate the phrase “based on the work we have performed”.</p> <p>I know that the ASB is not the SSARS and is not responsible for professional standards for compilations. I would like to think that there could be some consistency across our professional standards. Consider the compilation report that has similar procedures required regarding information: read it, identify any material inconsistencies with information the accountant vs. auditor has knowledge of the client, industry, and financial reporting framework vs. obtained during the audit and if no changes are required report that no assurance provided. The compilation report does not describe the requirements of professional standards when performing a compilation. I think the auditor’s report on other information, for which the auditor is not opining on, nor takes responsibility for, should just state as such and end without additional narrative to clutter the issue.</p>
14 - National Association of State Boards of Accountancy (NASBA)	<p>We do not have any comments on this question other than what was stated earlier regarding situations where the auditor may not have obtained the “other information” prior to issuing their audit report.</p> <p>However, we would suggest that the concluding sentence in the proposed report state: “We are not aware of any material inconsistencies, intentional omissions or misstatements of fact.” or “We have not identified any material inconsistencies, intentional omissions or misstatements of fact,” rather than “We have nothing to report in this regard.”</p>
15 - Smith & Howard PC	<p>We believe the proposed requirement for the auditor to include a separate section in the auditors’ report addressing other information is appropriate when such information is included with the audited financial statements and auditors’ report. However, that section of the auditors’ report should be limited to identifying that information and indicating we offer no opinion on that information. Specifically, we believe the example language included in the proposed revisions should be modified as follows:</p> <p><i>Other Information [Included in the Annual Report]</i> Management is responsible for the other information [included in the annual report]. The other information comprises the [information included in the X report], but does not include the financial statements and our auditors’ report thereon.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express an opinion or any form of assurance on it.</p>

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	In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.
16 - Office of the Auditor General	Yes, we consider the proposed wording as appropriately conveying the auditor's responsibility regarding other information and the fact that the auditor is not providing any assurance on the information.
17 - Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants	<p>We agree the requirement of including a separate section in the auditor's report addressing other information properly discloses the nature and extent of the auditor's consideration of other information by outlining the scope of the auditor's work without inappropriate implications as that effect.</p> <p>Although the Committee agrees with substantially all of the proposed changes to the standard, we however take exception to the requirement to include a separate section in the auditor's report. It is our opinion it should remain optional depending upon the facts and circumstances and left up to the auditor's judgment. We believe the added section while not expanding the scope of the engagement, places additional unwarranted burden on the auditor and believe transparency is accomplished when applicable, by way of including a separate section if warranted.</p>
18 - Audit and Assurance Services Committee of the Illinois CPA Society	We believe that the proposed requirement for auditor reporting on other information appropriately conveys the nature and extent of the auditor's consideration of that information without implying that the auditor has obtained assurance on or is expressing an opinion or conclusion on that other information. We do, however, recommend the addition of the word "above" in the second relevant paragraph of the auditor's report so that it reads "Our above opinion on the financial statements..."
19 - BDO USA, LLP	We generally do not support the use of a separate section in the auditor's report, as set out in the proposed standard, since we believe there is the potential for users to misunderstand the level of service provided with respect to the other information, irrespective of the statement included in the 'Other Information' section of the report that states, <i>Our opinion on the financial statements does not cover the other information and we do not express an opinion or any form of assurance on it.</i> Furthermore, since the proposed standard correctly does not apply to information that is not related to the financial statements - since the auditor would ordinarily not have obtained any relevant knowledge of such matters during the audit – users may not recognize this differentiation in types of information.
20 - Grant Thornton LLP	While the proposed reporting requirements would bring the standards in line with the corresponding international standard, we have some concerns, from varying perspectives, with the application of the proposed standard.

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	<p>We have concurrently communicated our concerns with the general length and readability of the proposed auditor’s report in our May 15, 2018 comment letter on the Proposed Statements on Auditing Standards—Auditor Reporting, <i>Forming an Opinion and Reporting on Financial Statements</i>, <i>Communicating Key Audit Matters in the Independent Auditor’s Report</i>, <i>Modifications to the Opinion in the Independent Auditor’s Report</i>, and <i>Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor’s Report</i>. Our concern regarding the length of the auditor’s report is exacerbated by the three to four paragraphs in this proposal that would be added to the auditor’s report when reporting on other information. We encourage the Board to reconsider the proposed requirements to reduce the minimum disclosure in the spirit of providing a more concise, yet informative, auditor’s report.</p> <p>We are also concerned about the proposed reporting requirements when considered within the context of the auditor’s responsibility for required supplementary information (RSI) under AU-C section 730, <i>Required Supplementary Information</i>. When an auditor has responsibility for both other information and RSI, as is common for governmental entities, we are concerned that a user of the financial statements might be confused by the differing levels of responsibility described in the auditor’s report. We further question whether it is appropriate for the RSI standard to contain higher performance requirements, while the proposed other information standard contains more reporting responsibilities. Since reporting on RSI is unique under auditing standards generally accepted in the United States of America, it would not have been contemplated during the international standard-setting process. Thus, we strongly urge the Board to reconsider the proposed reporting requirements in light of the requirements of AU-C section 730. We submit the following suggested language for the Board’s consideration.</p> <p>Other information [included in the annual report] Management is responsible for the other information, which comprises [the information included in the X report], included in the annual report. In accordance with auditing standards generally accepted in the United States of America, we have read the other information and, in doing so, considered whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We do not express an opinion or provide any assurance on the other information.</p> <p>In the event the auditor identifies a material inconsistency or material misstatement of the other information, we recommend the following language be added before the last sentence to the above suggested paragraph.</p> <p>Although our opinion on the basic financial statements is not affected, the following material inconsistency [or material misstatement] exists [identify the inconsistency or misstatement].</p>

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	We believe the suggested wording is more logical and better aligns the reporting not only with the underlying performance requirements related to other information but also with the related performance and reporting requirements relative to RSI.
21 - Crowe Horwath LLP	The Proposed Standard requires the auditor to report on the “other information” when, at the date of the auditor’s report, the auditor has obtained “some or all of the other information”. We believe this requirement is clear and appropriate related to the information the auditor has obtained as of the auditor’s report date. We concur that there should be no reporting requirement for other information identified and within the scope of the Proposed Standard which is incomplete as of the date of the auditor’s report. Further, the Illustrations of other information sections to be included in auditor’s reports provide examples to address a number of difference scenarios. We recommend that the ASB add an illustrative example of the “other information” section of the auditor’s report to provide clarity on how to apply .A59, when the auditor chooses to identify other information that the auditor expects to obtain after the date of the auditor’s report. Further, we suggest that, in the final standard, the ASB provide each report illustration as one paragraph. In the context of a complete audit report, which may include additional other matter or emphasis of matter paragraphs, having four paragraphs in the section of the report on other information seems visually distracting.
22 - North Carolina Association of Certified Public Accountants	The new report wording appears to be clear to all readers that no assurance will be provided on the other information and clearly identifies what pages will be considered as other information in the overall report.
23 - PricewaterhouseCoopers LLP	<p>We have fundamental concerns with the ASB moving ahead with its reporting proposals. We believe the reporting as proposed will increase the expectations gap by requiring language in the auditor’s report that is ambiguous and susceptible to a wide array of interpretation by users - in particular, when compared with the nature and extent of the auditor’s effort set out in the proposed SAS.</p> <p>The proposed other information paragraph of the auditor’s report includes the statement “...or otherwise appears to be materially misstated” in reference to other information not related to the financial statements or the auditor’s knowledge obtained in the audit. We do not think users will understand the limited nature of the procedures the auditor would perform on this type of other information based on the way the reporting has been drafted (i.e., remain alert to whether such information appears to be materially misstated).</p> <p>Our concerns in relation to reporting can be illustrated when considering the list of matters that may be in other information as described in paragraph A15 of the proposed SAS. A company could include in its annual report a statement that its system of internal control was operating with no deficiencies, but in a financial statement only audit for a non-public company we would not have a sufficient basis to form a conclusion on this statement. We may have assessed some of the controls for operating effectiveness, and</p>

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	<p>thus, might have knowledge to assess if management’s statement was accurate for those controls, but we would be unable to fully consider the statement to determine if this statement is a material misstatement of fact or whether the other information is materially misstated. Based on how the reporting is drafted in the proposed SAS, it is likely users might interpret the auditor’s statement that there is nothing to report as concurrence with management’s statement on the control environment.</p> <p>We believe today’s requirement for the auditor to include an Other Matter paragraph when a material inconsistency is identified and the other information has not been corrected remains appropriate. This requirement could also be extended to circumstances in which a material misstatement of fact is identified and the other information has not been corrected. Finally, the ASB could consider whether greater specificity in terms of the required Other Matter paragraph would be useful (e.g., a required heading such as <i>Other Information Accompanying the Audited Financial Statements</i>).</p> <p><i>Multiple Reports</i> Confusion may arise to the extent that the financial statements and the auditor’s report are included within multiple documents by a company if a discrete conclusion on other information is included in our report. Application guidance in paragraph A21 acknowledges, but does not provide a solution to, the fact that “there may also be circumstances in which the company’s annual report is a combination of documents, each subject to different requirements or reporting practice by the company with respect to the timing of their release.”</p> <p>Further clarification is necessary in particular if the auditor is required to expressly identify the other information in the auditor’s report. Additionally, as a practical challenge, to the extent the financial statements and auditor’s report are subsequently included in a separate document (e.g., an exempt securities offering) the auditor’s report may need to be reissued to remove reference to the previous annual report or to potentially reference the exempt securities offering. We are concerned there is no guidance in the proposed SAS to address implications for the dating and potential reissuance of the auditor’s report.</p> <p>Finally, we believe there are practical challenges with the suggestion in paragraph A59 of providing transparency when other information has not been obtained as of the date of the auditor’s report, and suggest this guidance be removed.</p>
24 - Virginia Society of CPAs Accounting & Auditing Advisory Committee	<p>No. We believe the guidance needs to be clarified.</p> <p>We believe explicit guidance should be included stating that there should be no other matters paragraph added to the auditor’s report when the auditor has <u>not yet completed</u> the procedures required by this proposed SAS because the annual report is not complete or</p>

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	<p>timely been made available by management to the auditor prior to the date of the auditor’s report. We believe the following edit is necessary to paragraph 22:</p> <p>“22. The auditor’s report should include a separate section with the heading “Other Information,” or other appropriate heading, when, at the date of the auditor’s report, the auditor has obtained all of the other information.</p> <p>However, when the annual report other information is complete and made available by management to the auditor prior to the date of the auditor’s report, we believe the following edits are necessary to the example other matters paragraph to avoid confusion regarding the auditor’s responsibilities:</p> <p><i>“Other Information [Included in the Annual Report]</i> Management is responsible for the other information [included in the annual report]. The other information comprises the [information included in the X report], but does not include the financial statements and our auditor’s report thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our opinion on the financial statements does not cover the other information and we do not express an opinion or any form of assurance on it.”</p> <p>We believe the last sentence of the example should be deleted to avoid any confusion or inference by users of auditor assurance on the other information. We believe the statement “...We have nothing to report in this regard.” implies some level of implied auditor assurance. We believe that stating management’s and the auditor’s responsibility regarding the other information and clearly stating that no opinion or any form of assurance is expressed by the auditor is the most effective manner of communication to the users.</p>
25 - Ernst & Young LLP	<p>We support the ASB’s efforts to make the auditor’s work effort more transparent by describing those responsibilities in the auditor’s report. But as stated in our cover letter, we don’t believe the proposed standard achieves this objective. We believe there will limited instances where non-issuers will prepare and provide the auditor with the other information prior to the issuance of the auditor’s report. As a result, the auditor would not be required to include the related section describing those responsibilities in the auditor’s report.</p>

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	<p>In addition, we don't support the inclusion of a separate section in the auditor's report addressing other information when the auditor has obtained some, but not all, of the other information to be included in the annual report. We don't believe the proposed reporting requirement would improve the informative value of the auditor's report. In fact, we believe including such communications in the auditor's report could be misleading to users of the financial statements. The application guidance in proposed paragraph .A59 indicates the auditor could consider identifying other information it expects to obtain after the date of the auditor's report. We believe it's potentially misleading to communicate procedures that may possibly be performed on information yet to be obtained without requiring the auditor to later communicate whether the remaining other information was in fact obtained and whether the auditor was able to fulfill his or her remaining responsibilities with respect to that other information. As a result, we recommend the auditor only include a section in the auditor's report addressing other information when "all" of the other information is obtained by the auditor prior to release of the auditor's report. We believe our recommendation would reduce the risk of inappropriate inferences by users about the extent of procedures performed or findings, especially in those instances when the entity releases its annual report without sharing an advance copy with its auditors.</p> <p>Notwithstanding the limited circumstances under which a separate section addressing other information would be included in the auditor's report, we support the Board's efforts to narrow existing expectation gaps by requiring auditors to articulate in their reports their responsibilities under the proposed SAS and the outcome of their work relative to the other information.</p> <p>However, we believe the reporting recommendations described below would more clearly communicate the auditor's responsibilities regarding other information. They would also help mitigate the risk that investors or other financial statement users would infer that the auditor has a greater responsibility for the other information than is required by the proposed SAS.</p> <p>In the context of our recommended procedures, we believe the auditor's report should:</p> <ul style="list-style-type: none"> ▶ State that management is responsible for the other information ▶ Identify the annual report that contains the other information ▶ Indicate that the auditor's opinion does not cover the other information ▶ Describe the auditor's responsibilities related to other information by including:

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	<ul style="list-style-type: none"> ▶ A statement that the auditor’s responsibility is to read and perform certain limited procedures on the other information ▶ A statement that in the event the auditor becomes aware that the other information contains a material inconsistency with the audited financial statements or a material misstatement of fact in the other information, or both, that has not been appropriately revised, the auditor is required to describe the inconsistency or misstatement, or both, in the audit report ▶ A statement that the auditor is not responsible for searching for omitted information or for the completeness of the other information presented in the entity’s annual report ▶ A statement that the limited procedures do not constitute an audit or review of the other information ▶ A description of the limited procedures performed on other information directly related to the financial statements ▶ A statement that the procedures performed on other information unrelated to matters appearing in the financial statements are limited to reading the other information and, based on knowledge obtained in the audit of the financial statements, remaining alert for indications that the other information is materially and incorrectly stated or presented ▶ Include either a statement that the auditor has nothing to report or include a description of the uncorrected material inconsistency or material misstatement of fact <p>Including these communications in the auditor’s report would clarify the auditor’s responsibilities and help users of the financial statements understand those responsibilities. It would also help mitigate the risk that investors or other financial statement users would infer that the auditor has a greater responsibility for the other information than is required by the proposed standard.</p> <p>We also recommend that the ASB include additional application guidance that states that because (1) the auditor generally does not have and is not required to have the expertise to evaluate whether other information unrelated to the financial statements is materially misstated, (2) the nature and extent of the procedures required to be performed under this proposed SAS are limited and (3) there aren’t any generally recognized standards or frameworks available to assess the presentation of other information prepared by management, the auditor is unable to provide any form of assurance on the other information presented in the entity’s annual report.</p> <p>We recognize that the proposed SAS does not prescribe the location of the Other Information (OI) section in the auditor’s report.</p>

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	<p>However, we observe that the example auditor reports in the Board’s separate proposed SAS on auditor reporting present the OI section in the middle of the auditor’s report, just before the Responsibilities of Management section.</p> <p>Given the limited procedures performed on the OI and that such procedures don’t constitute an audit, we believe the auditor’s discussion of OI should be presented at the end of the auditor’s report. We recognize that the proposed requirement to use a separate section title would help users understand the difference between the auditor’s association with the financial statements from the other information. But requiring the OI section to be as far away as possible from the sections describing the auditor’s opinion on the financial statements and the basis for that opinion would underscore the fact that the auditor isn’t providing any assurance with respect to the OI. Additionally, prescribing the location of the OI section in the auditor’s report would make reporting more consistent.</p>
26 - KPMG LLP	<p>The reporting requirement introduced by the Proposed Standard will lead to an increased expectation gap among the users of financial statements. The proposed language for the auditor’s report implies to users negative assurance on the Other Information. Further, the placement and level of prominence of the reporting is inconsistent with the level of assurance relative to the overall audit. We have also expressed our concerns about the timing of the receipt of Other Information and the effect that has on the optionality in reporting in response to Comment 2.</p> <p>If the Board proceeds with this Proposed Standard, at a minimum, we believe that the statement that the auditor has “nothing to report” should be eliminated from the required reporting in favor of a statement that the auditor is not aware of a material inconsistency with the financial statements, without providing an explicit conclusion or statement about the results of that work. This would also reduce the effect of our timing concerns noted in response to the request for Comment 2.</p>
27 - Deloitte & Touche LLP	<p>While we believe that the language in the separate section in the auditor’s report appropriately conveys the nature and extent of the auditor’s consideration, we have several comments as it relates to this section (see comments on paragraphs 23, A59, and A65 in the “Specific Comments” section, and our remaining suggestions in the “Overall Comments” section). Given the lack of clarity in the auditor’s reporting responsibilities when other information is received after the report date, auditor reporting may be inconsistent and widen the potential or existing expectation gaps for users of the report. As noted earlier, we would not object to removing the requirement to report on the other information in the auditor’s report.</p>
28 - National State Auditors Association	<p>We believe that the proposed requirement adequately conveys that the auditor’s opinion does not cover the other information and that the auditor does not express an opinion or provide any form of assurance on the other information.</p> <p>However, we do have a concern with the lack of guidance addressing what auditors should do when other information is obtained</p>

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	<p>after the report issuance date. Paragraph 13 instructs the auditor to obtain other information prior to the date of the auditor’s report, if possible. Paragraph A24 clarifies that the auditor is not precluded from dating or issuing the auditor’s report prior to obtaining some or all of the other information. We believe it is inappropriate for the auditor to issue a report describing the auditor’s responsibilities and whether there is anything to report concerning other information when the auditor has not yet received the information to review. Specifically, we do not believe A59 provides adequate guidance regarding procedures over other information the auditor is yet to perform. We suggest the board provide additional guidance in paragraphs A24 and A59 to address this situation.</p> <p>Additionally, proposed paragraph A63 does not prohibit auditors from including in an adverse opinion unmodified language for other information that “We have nothing to report in this regard.” We are concerned about allowing unmodified language about other information in these circumstances for the same reasons it is not allowed for disclaimers of opinion articulated in proposed paragraph A64, which is that including a section to address other information might overshadow the adverse opinion on the financial statements as a whole. We suggest the board revise paragraph A63 to be consistent with paragraph A64.</p>

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Comments on Specific Paragraphs Within the Proposed SSARs

Proposed SAS, *The Auditor’s Responsibilities Relating to Other Information Included in Annual Reports*

COMMENT NO.	Paragraph in the Exposure Draft or Topic	Commenter	Comments	Task Force Consideration of Comments	Change Made to Proposed SAS?
1	1	4 – Akresh	The ED assumes there will be other information only in connection with annual reports. However, there may be other situations where auditors are associated with other information and auditors need guidance for those situations. For example, semiannual reports containing audited financial statements, other information in a sustainability report (which requires guidance in the attestation standards). Since the standards and guidance for those situations would be similar to what is in the ED, the ED and its title should be modified to note the applicability to other situations.	The proposed standard clarifies the documents within the scope of AU-C section 720 – and does not change the scope of extant. The comment is beyond the scope of the project.	NO
2	2, A2, and A17	27 – Deloitte	In paragraph 2 we suggest “devotes attention” be replaced with “applies this proposed SAS”, and corresponding changes to paragraph A2. We also suggest that paragraph A17 be modified such that management’s written acknowledgement also include the other documents to which the auditor, at management’s request, has applied this proposed SAS. In many cases, management may request the auditor to devote attention (which could be interpreted to mean actions such as read, look at, review) to other documents and it may not be clear	Task Force to consider, including considering deleting paragraph 2 (pursuant to KPMG comment under Specific Request for Comment #1)	

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COMMENT NO.	Paragraph in the Exposure Draft or Topic	Commenter	Comments	Task Force Consideration of Comments	Change Made to Proposed SAS?
			<p>to which documents management expects the auditor to apply this proposed SAS. Therefore, written communications regarding the other documents to which the auditor, at management’s request, applies this proposed SAS will prevent any misunderstanding and will clarify to management the procedures that the auditor will be performing. We also suggest a reference to the application material in paragraph A17 be added to paragraph 2. Suggested changes are as follows:</p> <p>2. This SAS also may be applied, adapted as necessary in the circumstances, to other documents to which the auditor, at management’s request, <u>applies this proposed SAS</u> devotes attention. (Ref: par. A2-A4, <u>A17</u>)</p> <p>A2. In instances in which the auditor applies this proposed SAS to other documents to which the auditor, at management’s request, devotes attention, all of the requirements of this proposed SAS, including those standards regarding reporting, are applicable, adapted as necessary in the circumstances.</p> <p>A17. Management’s written acknowledgement of the documents that constitute the annual report, <u>other documents to which the auditor, at management’s request, has applied this proposed SAS,</u> and the expected timing that such documents will be made available to the auditor may be included in the engagement letter, an amendment to the</p>		

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COMMENT NO.	Paragraph in the Exposure Draft or Topic	Commenter	Comments	Task Force Consideration of Comments	Change Made to Proposed SAS?
			engagement letter, a representation letter, or some other written communication.		
3	A2	3 - RSM	<p>To more clearly define the scope of the proposed SAS and to align the terminology used in paragraph A2 with that used throughout the proposed SAS, we suggest revising paragraph A2 as follows (proposed additions are shown in bold font and a proposed deletion is struck through):</p> <p>A2. In instances in which the auditor applies this proposed SAS to other documents other than annual reports to which the auditor, at management’s request, devotes attention, all of the requirements of this proposed SAS, including those requirements regarding reporting, are applicable, adapted as necessary in the circumstances.</p>	Proposed edits have been made.	YES
4	A3	20 – GT	The second sentence of this paragraph is not a complete sentence and appears to be an extension of the first sentence.		
5	A4	3 – RSM	<p>To clarify that the proposed SAS also applies to other information for which a designated accounting standard setter has issued standards or guidance regarding the format to be used and content to be included when such information is voluntarily presented in an annual report, we suggest revising paragraph A4 as follows (proposed additions are shown in bold font and a proposed deletion is struck through):</p> <p>A4. This proposed SAS also addresses applies to other information for which a designated accounting standard setter</p>	Proposed edits have been made.	YES

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			has issued standards or guidance regarding the format to be used and content to be included when such information is voluntarily presented in an annual report—for example, GASB Statement No. 44, <i>Economic Condition Reporting: The Statistical Section</i> .		
6	A4	20 – GT	We do not believe this proposed standard “addresses” such other information. Rather, we feel it is more appropriate to say that this proposed standard “applies to” that other information. As such, we recommend the following revision to the beginning of the sentence. This proposed SAS also <i>applies to</i> addresses other information for which a designated standard setter...	Proposed edits have been made.	YES
7	4	20 – GT	We believe that, generally, the auditing standards contain the notion of “users of the financial statements” and that the reference in this paragraph to “users for whom the auditor’s report is prepared” appears inappropriate. We recommend that phrase be revised to say “users of the financial statements” in order to remain consistent with the vernacular used in other auditing standards.	Task Force to consider.	
8	6	23 – PwC	In our experience, some but not all of the annual report may not be available to the auditor at the date of the auditor’s report. Companies frequently do not finalize their annual reports until well after the auditor’s report has been issued. Accordingly, the nature and extent of what is included in the annual report may evolve until its issuance. As a result, we question whether the expectation in paragraph 6 of the proposed SAS is appropriate. It		

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			<p>may be preferable to provide guidance that the auditor would instead apply AU-C 560.</p> <p>There may be additional practical challenges in reporting. For example, if only some of the information included in an annual report is available as of the date of the auditor's report, in accordance with the proposed SAS the auditor would identify what has been received. When a company expects to issue an annual report but it is not made available to the auditor prior to the date of the auditor's report, the auditor's report would not include any reference to the auditor's responsibilities relating to other information or conclusion thereon. The differences in reporting may not be well-understood by users of the report.</p>		
9	9	20 – GT	<p>We recommend the following edit to create consistency with the corresponding standards:</p> <p>This proposed SAS does not apply to <i>supplementary</i> supplemental information addressed by...</p>	Proposed edits have been made.	YES
10	10 – Effective Date	12 – Baker Tilly	<p>We believe an effective date of less than a year from the date that the proposed standard is finalized will not allow auditors sufficient time to update their audit methodologies. Therefore, we recommend that the proposed effective date be at least one year from the date that the proposed standard is finalized</p>	ASB to consider in conjunction with proposed auditor reporting suite.	
11	10 – Effective Date	21 – Crowe Horwath	<p>The proposed effective date appears to be appropriate.</p>		

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12	10 – Effective Date	23 – PwC	<p>We believe the proposed SAS needs significant revision before it could be effectively implemented and achieve its intended objectives, and may require re-exposure before it can be finalized. For this reason, we are of the view the proposed effective date (for audits of financial statements for periods beginning on or after June 15, 2019) will prove challenging.</p> <p>Additionally, we are supportive of the ASB making all of the provisions related to auditor reporting effective at the same time. Because we are concerned that that underlying changes in the performance requirements set out in the proposed SAS will require more time to implement, we suggest the suite of standards currently under revision become effective no sooner than for periods ending on or after December 15, 2020.</p>		
13	10 – Effective Date	25 – E&Y	<p>We don't believe the proposed effective date for audits of financial statements for periods beginning on or after 15 June 2019 provides sufficient time for auditors to implement a new SAS. To allow audit firms sufficient time to train their personnel, update their policies and systems of quality control, and determine that management understands what it is expected to do, we believe the effective date should be no earlier than for audits of financial reporting periods beginning after 15 December 2019 (i.e., 2020 for calendar-year-end reporting entities).</p>		
14	10 – Effective Date	27 - Deloitte	<p>The proposed SAS indicates that if issued, it will be effective for audits of financial statements for periods beginning on or after June 15, 2019. We note that the effective dates for the other</p>		

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			proposed SASs related to auditor reporting are for periods ending on or after June 15, 2019. We believe the effective dates for all these proposed SASs should be the same. Furthermore, we believe that the effective date as stated in this proposed SAS, as well as the effective date in the proposed SASs on auditor reporting, do not allow sufficient time for the auditor to adequately prepare for the implementation of the proposed SASs. While we encourage finalization of the proposed SASs quickly, we believe that when deciding on the effective date, other changes auditors are facing need to be acknowledged (e.g., auditing the new accounting requirements regarding revenue recognition, leasing, and expected credit losses and dealing with new PCAOB requirements related to communication of critical audit matters). We suggest the Board make this proposed SAS, as well as the proposed SASs on auditor reporting, effective for audits of financial statements for periods ending on or after December 15, 2019, or June 15, 2020.		
15	11	19 – BDO	For this reason, we suggest revising the objective to recognize that additional procedures are either required or contemplated beyond a reading of the other information. This might be accomplished by deleting the reference to ‘having read the other information’ in the objective – in essence being silent in the objective about the required procedures.	Task Force to consider.	
16	12 (Definition of annual report)	14 _ NASBA	The proposed definition of Annual Report in paragraph 12 includes the phrase “provide owners (or similar stakeholders) ...” We believe the word “similar” should be deleted, and clearly	Proposed edits have been made.	YES

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			state “provide owners or other intended users.”		
17	A9	1 – TIC	TIC believes that the intent of this ED was to scope out the data collection form provided to the Federal Audit Clearinghouse that is frequently prepared by not-for-profit and governmental entities, so perhaps this could specifically be added to the bullet points list in paragraph .A9 as it is a common form of other information provided in practice and there could be some confusion in practice as to whether or not this type of information would be classified as Other Information for purposes of this standard.	Additional example added to paragraph A9	YES
18	A9	3 – RSM	<p>Paragraph A9 lists examples of reports that, when issued as standalone documents, are not other information within the scope of the proposed SAS. It is possible that management may request an auditor to apply the proposed SAS to these reports, even though such reports are listed as examples of other information not within the scope of the proposed SAS. If the Board believes that an auditor should be allowed the option of applying the proposed SAS to such reports, we suggest inserting the following additional guidance after the list of example reports in paragraph A9:</p> <p style="padding-left: 40px;">Although these reports are not other information within the scope of this proposed SAS, at management’s request, the auditor may apply this proposed SAS to such reports (see further guidance in paragraph A2).</p>	Proposed edits have been made.	YES
19	A9	12 – Dixon	We believe that the following should be added to paragraph A9	Additional example added to paragraph A9	YES

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		Hughes	of AU-C section 720 as examples of documents that are not typically part of a combination of documents that make up an annual report: 1) the reporting package required to be submitted to the Federal Audit Clearinghouse to comply with Uniform Guidance and 2) continuing disclosures (EMMA).		
20	A11	14 - NASBA	Paragraph A11 provides application guidance specific to governmental entities; however, it should also acknowledge that governments may issue reports at something other than the entity level (e.g. fund, department or component unit level).	Task Force to consider.	
21	A12	3 – RSM	We appreciate the addition of the last sentence in paragraph A12, and believe it will be very helpful to auditors.	Agreed.	NO
22	A12	8 – DHG	We are supportive of the ASB’s efforts in advancing the auditor’s responsibilities related to other information. However, we believe clarity is needed regarding the auditor’s consideration of information that may be omitted from the other information. For instance, paragraph A12 of the Other Information Proposal states that, ‘ <i>when a particular matter is disclosed in the other information, the other information may omit information that is necessary for a proper understanding of that matter or, in light of the circumstances, to keep the other information from being misleading...</i> ’ However, the Other Information Proposal does not provide any guidance regarding what circumstances would allow the auditor to omit such information from the auditor’s consideration that could keep the other information from being misleading and could potentially result in the auditor omitting information that is of critical relevance to their evaluation.	Task Force to consider.	

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			Furthermore, paragraph A12 states that, ‘... <i>The auditor is not responsible for searching for omitted information or for the completeness of the other information,</i> ’ which may imply a contradiction to the previous statement and potentially result in the auditor including information which may not be relevant to their evaluation. Given the plethora of materials that could be included as other information, it is imperative that the ASB provide a clear understanding as to what should and should not be included in the auditor’s evaluation of the other information. Therefore, we believe the profession would benefit from additional clarification, through application guidance, clarifying the auditor’s consideration of such omitted information.		
23	A12	13 – Lindal	In A12, it states that the auditor is not responsible for “searching for omitted information”; this is unclear as to whether the ASB means “the auditor is not responsible to search for instances or circumstances where information is omitted causing the other information to be misleading” (which seems contradictory to requirements in this proposed SAS) or the ASB means “the auditor is not responsible to provide information, omitted by management, that is necessary to be included to prevent the other information to be misleading” (which seems logically inconsistent). I am unclear as to the objective of the statement “the auditor is not responsible for searching for omitted information”.	Task Force to consider.	
24	A12	27 – Deloitte	We suggest the following language be deleted to align with ISA 720 (Revised):	Task Force to consider.	

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			A12. When a particular matter is disclosed in the other information, the other information may omit information that is necessary for a proper understanding of that matter or, in light of the circumstances, to keep the other information from being misleading . The auditor is not responsible to search for omitted information or for the completeness of the other information.		
25	A12-A13	14 - NASBA	Proposed application guidance in paragraphs A12 and A13 should be further enhanced regarding the level of responsibility for omitted information, to mitigate the risk the public will misunderstand this responsibility and draw more comfort than is intended from reading the auditor’s report.	Task Force to consider.	
26	A13	9 – ALGA	To help improve on the guidance, consider adding in paragraph A13 the auditor’s responsibility for obscured information similar to paragraph A12. Paragraph A12 provides sufficient guidance with respect to the auditor’s responsibilities for omitted information.	Task Force to consider.	
27	A13	27 – Deloitte	We suggest the following language be added to clarify the paragraph is intended to address the understanding of matters disclosed in the other information: A13. Other information may be undermined by the inclusion of information that is not relevant or that obscures a proper understanding of the matters disclosed <u>in the other information</u> .	Task Force to consider.	
28	A14	14 – NASBA	Paragraph A14 does not define “materiality” for other	Task Force to consider.	

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			information within the context of the financial statements as a whole, which seems to be appropriate. Instead, “materiality for other information” appears to be left up to judgement in the context of the users. We suggest placing some limit on the materiality relative to the financial statements as a whole, which is the reference used and defined in the proposed Auditor Reporting statement, and what would be within the auditor’s knowledge.		
29	Potential new application paragraph	26 - KPMG	As it is not uncommon for financial statements to be prepared under IFRS and audited using AICPA standards, we believe paragraph A9 of ISA 720 should be included. Further, we think this guidance is not dissimilar to proposed A11, and could be part of considerations when framework is not US GAAP.	<p>Task Force to consider.</p> <p>Paragraph A9 of ISA 720 reads as follows:</p> <p>A9. In some cases, the applicable financial reporting framework may require specific disclosures but permit them to be located outside of the financial statements.⁵ As such disclosures are required by the applicable financial reporting framework, they form part of the financial statements. Accordingly, they do not constitute other information for the purpose of this ISA.</p> <p>⁵ For example, IFRS 7, <i>Financial Instruments: Disclosures</i>, permits certain disclosures required by the IFRSs to either be given in the financial statements or incorporated by cross-</p>	

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				reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements and at the same time.	
30	13	20 – GT	We believe the terms “compose” and “composing,” in subparagraphs a and b, respectively, should be revised to “comprise” and “comprising.”	Proposed edits have been made.	YES
31	13	27 - Deloitte	<p>We suggest that “compose” be replaced with “make up” to be consistent with paragraphs A15 and A18 of the proposed SAS. Furthermore, while “comprised” is used in the illustrations in paragraph A65 of the proposed SAS, our comment on paragraph A65 below suggests the term also be deleted from the illustrations.</p> <p>13. The auditor should do the following: (Ref: par. A16–A26)</p> <p>a. Determine, through discussion with management, and obtain management’s written acknowledgement regarding, which document or documents make up compose the annual report, and the entity’s planned manner and timing of the issuance of such documents.</p> <p>b. Make appropriate arrangements with management to obtain in a timely manner and, if possible, prior to the date of the</p>	The wording in paragraph 13 is appropriate and revisions were made to other paragraphs to be consistent with paragraph 13 wording.	YES

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			<p>auditor’s report, the final version of the document or documents that make up composing the annual report.</p> <p>c. When some or all of the documents determined in (a) will not be available until after the date of the auditor’s report on the financial statements, request management to provide a written representation that the final version of the documents will be provided to the auditor when available, and prior to the document’s issuance by the entity, such that the auditor can complete the procedures required by this proposed SAS. (Ref: par. A25-A26)</p>		
32	A17	20 – GT	We recommend revising the reference to “other written communication” at the end of this paragraph to instead say “other suitable form of written agreement” to align with AU-C section 210, <i>Terms of Engagement</i> .	Proposed edits have been made.	YES
33	A19	13 – Lindal	A19 references that the auditor may communicate to those charged with governance “the possible implications when the other information is obtained after the date of the auditor’s report”. What are those consequences?	Task Force to consider.	
34	A20	13 – Lindal	A20 discusses that the final version of other information is the version which those charged with governance have approved. What about circumstances when management is issuing the other information to those charged with governance and no one else? (such as management of a government program issuing an annual report on the program to the governing body; or such as management of a nonprofit issuing an annual report only to the	Task Force to consider.	

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			Board of Directors but not to the general public)		
35	A22	20 – GT	We find the second sentence of this proposed paragraph to be confusing. It implies that this separate agreement with management occurred prior to signing the audit engagement letter, and we question why or how this could happen. Is this sentence rather intended to illustrate the flexibility of how management’s written acknowledgment can be obtained, as discussed in paragraph A17? We recommend the Board revisit the intended meaning and understandability of this paragraph.	Task Force to consider.	
36	13c	13 – Lindal	13c When some or all of the documents that compose the annual report will not be available until after the date of the auditor’s report, and the auditor is required to complete procedures with regard to those documents, it would be helpful to acknowledge (even if by reference) what the auditor should do when those procedures extend beyond the file lockdown date.	Task Force to consider.	
37	13c	19 – BDO	While we have some concern about the auditor not obtaining all documents considered part of the annual report prior to the date of the auditor’s report, but nevertheless being responsible for performing procedures on such documents when they are received, we recognize that in some cases a document may not be required to be released until a later time, or at a time of the entity’s choosing. To emphasize the importance of a clear understanding between the auditor and the entity regarding providing the final version of documents to the auditor prior to issuance by the entity, we suggest strengthening the language in paragraph 13.c. to better reflect the statement as a requirement as	Task Force to consider.	

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			<p>follows:</p> <p>When some or all of the documents determined in (a) will not be available until after the date of the auditor's report on the financial statements, Request management to provide, <i>when some or all of the document determined in (a) will not be available until after the date of the auditor's report on the financial statements</i>, a written representation that the final version of the documents will be provided to the auditor when available, and prior to the document's issuance by the entity, such that the auditor can complete the procedures required by this proposed SAS.</p>		
38	13c	20 – GT	<p>The proposed standard addresses circumstances when the other information is not made available until after the auditor's report is issued. There are a variety of situations that could arise after the report issuance, including situations where the auditor-client relationship terminates. We believe current practice is such that if the client relationship terminates during the lag between the date of the auditor's report and the availability of the other information, the auditor's responsibility under this standard also terminates. Thus, there may be instances where the auditor does not obtain and read the other information, especially if that client relationship was terminated acrimoniously. We recommend that the Board consider providing this example as application guidance to paragraph 13c to assist the auditor in better understanding how to handle this type of situation.</p>	Task Force to consider.	

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39	A27	26 – KPMG	To further strengthen the audit response in Paragraph A27 when management has not provided final versions of documents, add an additional point stating: Consider the effect on the previously issued audit opinion.	Proposed additional wording added to draft.	YES
40	A33	27 – Deloitte	<p>We suggest aligning the proposed SAS with ISA 720 (Revised), and therefore indenting the last two bullets in paragraph A33 of the proposed SAS.</p> <p>A33. Determining the nature and extent of procedures to address the requirement in paragraph 15a is a matter of professional judgment, recognizing that the auditor’s responsibilities under this proposed SAS do not constitute an assurance engagement on the other information or impose an obligation to obtain assurance about the other information. Examples of such procedures include the following:</p> <ul style="list-style-type: none"> • For information that is intended to be the same as information in the financial statements, comparing the information to the financial statements • For information intended to convey the same meaning as disclosures in the financial statements, comparing the words used and considering the significance of differences in wording used and whether such differences imply different meanings 	Agreed – draft standard has been revised.	YES

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			<ul style="list-style-type: none"> • Obtaining a reconciliation between an amount within the other information and the financial statements from management • <u>Comparing items in the reconciliation to the financial statements and the other information</u> • <u>Checking whether the calculations within the reconciliation are arithmetically accurate</u> • Comparing items in the reconciliation to the financial statements and the other information • Checking whether the calculations within the reconciliation are arithmetically accurate 		
41	15b	19 – BDO	<p>We believe additional clarity is needed as reading the requirement alone a practitioner may conclude that it is not necessary to perform any additional procedures beyond a reading of the other information. The application guidance in paragraph A41 explains that the auditor may determine that referring to relevant audit documentation or making inquiries of relevant members of the engagement team or relevant component auditors (when the auditor assumes responsibility for the work of component auditors) is appropriate as a basis for the auditor’s consideration of whether a material inconsistency exists. As such, we suggest adding the following phrase in bold italics, taken from</p>	Task Force to consider.	

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			<p>the application guidance to paragraph 15.b. to enhance consistency in application of the standard:</p> <p>Consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit. <i>As basis for this consideration, refer to relevant audit documentation or make inquiries of relevant members of the engagement team or relevant component auditors, as appropriate.</i></p>		
42	A49	13 – Lindal	A49 identifies actions the auditor may take when the auditor may not be able to conclude whether a material misstatement of the other information exists. However, if the auditor has already issued the auditor’s report, describing a limitation imposed by management or withdrawing from the audit are not options. 20b and A56 are more expansive, perhaps the information in 20b and A56 could be included in A49 (even if by reference).	Task Force to consider.	
43	18	7 – WA State Auditor	For both conceptual and practical reasons, we would suggest that misstatements in other information be subject to AU-C section 450 requirements rather than using proposed paragraph 18, which appears to establish a slightly different process.	AU-C section 450 runs to evaluating misstatements identified during an audit – in which the auditor expresses an opinion on the financial statements. The requirement in paragraph 18 runs to misstatements identified in the other information – on which the auditor is not expressing an opinion or any form of assurance.	NO

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				Paragraph 18 is consistent with the requirement in ISA 720 (Revised)).	
44	A53	26 – KPMG	To clarify that communication to those charged with governance does not obviate the requirement to include appropriate language in the auditor’s report, we recommend that Paragraph A53 state: In audits of governmental entities, withdrawal from the engagement or withholding the auditor's report may not be possible under law or regulation. In such cases, <u>in addition to reporting in the auditor’s report that a material misstatement of the other information exists</u> , the auditor may issue a report or written communication to those charged with governance and the appropriate statutory body, if applicable, giving details of the inconsistency.	Proposed revision made to proposed standard.	YES
45	20	27 - Deloitte	Paragraphs 20 and A55 of the proposed SAS require the auditor to seek to have the uncorrected material misstatement in other information appropriately brought to the attention of anyone in receipt of the financial statements and the auditor’s report. However, paragraph A56, which is consistent with the requirement of paragraph 17b of AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i> (AU-C 560), states that the auditor may provide a new or amended auditor’s report to management including a modified section in accordance with paragraph 23, and request management to provide the new or amended auditor’s report to anyone in receipt of the financial statements and the auditor’s report and review the steps taken by management to provide the new or amended auditor’s report to	Task Force to consider.	

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			<p>such users.</p> <p>As such, and to be consistent with AU-C 560, rather than requiring the auditor to have the uncorrected material misstatement in other information appropriately brought to the attention of anyone in receipt of the financial statements and the auditor’s report, we suggest that paragraph 20 be modified to require that the auditor consider what actions might be appropriate and consider seeking legal advice about the auditor’s legal rights and obligations. The appropriate actions are then clarified by the application material in paragraph A56 of the proposed SAS.</p> <p>Similarly, and to be consistent with AU-C 560, we suggest that paragraph A55 be deleted and paragraph A56 be modified to include an action for the auditor to assess whether the steps taken by management are timely and appropriate. This is also consistent with the requirement of paragraph 17b of AU-C 560.</p> <p>20. If the auditor concludes that a material misstatement exists in other information obtained after the date of the auditor’s report, the auditor should do the following:</p> <p style="padding-left: 40px;">a. If the other information is corrected, perform the procedures necessary in the circumstances (Ref: par. A54)</p>		

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			<p>b. If the other information is not corrected after communicating with those charged with governance, <u>the auditor should consider what actions might be appropriate and should consider seeking legal advice about the auditor’s legal rights and obligations</u> take appropriate action considering the auditor’s legal rights and obligations to seek to have the uncorrected material misstatement appropriately brought to the attention of anyone in receipt of the financial statements and the auditor’s report. (Ref: par. A55–A56)</p> <p>A55. If those charged with governance do not agree to revise the other information, taking appropriate action to seek to have the uncorrected misstatement appropriately brought to the attention of anyone in receipt of the financial statements and the auditor’s report requires the exercise of professional judgment, and may be affected by relevant law or regulation in the jurisdiction. Accordingly, the auditor may consider it appropriate to seek legal advice about the auditor’s legal rights and obligations.</p> <p>A56. When a material misstatement of the other information remains uncorrected, appropriate actions that the auditor may take to seek to have the uncorrected material misstatement appropriately brought to the attention of anyone in receipt of the financial statements and the auditor’s report, when permitted by</p>		

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			<p>law or regulation, include, for example, the following:</p> <ul style="list-style-type: none"> • <u>Assessing whether the steps taken by management to bring the material misstatement of the other information to the attention of those in receipt of the other information are timely and appropriate, including making them aware that the other information is not to be relied upon.</u> • Providing a new or amended auditor’s report to management including a modified section in accordance with paragraph 23, and requesting management to provide this new or amended auditor’s report to anyone in receipt of the financial statements and the auditor’s report. In doing so, the auditor may need to consider the effect, if any, on the date of the new or amended auditor’s report, in view of the requirements of GAAS or applicable law or regulation. The auditor may also review the steps taken by management to provide the new or amended auditor’s report to such users. • Bringing the material misstatement of the other information to the attention of known users of the financial statements and the auditor’s report. 		

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			<ul style="list-style-type: none"> • Communicating with a regulator or relevant professional body about the uncorrected material misstatement. • Considering the implications for engagement continuance (see also paragraph A52). 		
46	20b	20 - GT	We find this proposed requirement confusing within the context of the auditor’s responsibilities in similar situations (for example, AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>). We question why the auditor wouldn’t first assess the steps taken by management to timely and appropriately determine that anyone in receipt of the financial statements has been informed of the material misstatement of the other information. If management does not take the necessary steps, the auditor would then take appropriate action. It appears this paragraph is written on the assumption that management will not correct the material misstatement of the other information and therefore would not be inclined to fulfill its responsibility to communicate with financial statement users about the material misstatement, and we do not believe this to be an appropriate assumption.	Task Force to consider.	
47	22	20 – GT	It is unclear whether this paragraph means that the auditor has not only obtained the other information, but has obtained it in sufficient time to perform the required procedures of the proposed standard. In order for the reporting to be meaningful, we believe the auditor would need ample time to complete his or her procedures around the other information. We ask the Board to	Task Force to consider.	

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			consider providing application guidance relevant to this paragraph addressing instances where the auditor may not receive the other information in a timely manner and how reporting could be impacted.		
48	22	27 - Deloitte	<p>We suggest that “date of the auditor’s report” be replaced with “report release date” as defined in paragraph 6 of AU-C section 230, Audit Documentation. Alternatively, we suggest that application material be provided for instances when other information is obtained after the date of the auditor’s report, but before the report release date.</p> <p>We also suggest that “some or all of” be deleted from paragraph 22. We do not believe it is necessary to be prescriptive and require that simply because “some” small piece of the other information was received prior to the auditor’s report date, the reporting requirement is triggered; rather, we believe that if all of the other information is received before the audit report date, and the procedures required by the proposed SAS are performed, then the reporting requirements should be triggered. This will alleviate situations in which the auditor does not or cannot perform the procedures required by this SAS prior to the audit report date. For example:</p> <ul style="list-style-type: none"> • Other information is not received timely and the auditor does not have sufficient time to perform the procedures prior to the audit report date. 	Task Force to discuss.	

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			<ul style="list-style-type: none"> • Other information received prior to the audit report date is not final, and therefore the auditor is placed in a position of performing the procedures required by this SAS when the information may have errors or be subject to further changes. • Reporting on only a small piece of the other information may be misleading or confusing to the users of the financial statements, and therefore it is appropriate to perform the procedures required by this SAS at the point when all of the other information has been provided). For example, reporting on only one schedule (e.g., a schedule of the number of employees) from the other information that was provided by management prior to the audit report date. Inclusion of a description of one schedule in the auditor’s report may be confusing to the users of the financial statements. Furthermore, in such a circumstance, it is likely more appropriate for the auditor to perform the procedures required by this SAS over the schedule at the point when all of the other information has been received and the auditor is able to consider the schedule in the context of all the other information. <p>Furthermore, we believe that the U.S. does not generally have circumstances whereby the other information consists of two or</p>		

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			<p>more separate documents, as described in paragraph A7. Because of this, it is less likely that other information would be provided to the auditor piecemeal. However, to alleviate such circumstances, and the resulting complexities in reporting when the other information is not received in one package, we suggest additional application material be developed associated with paragraph 13b to encourage the auditor to consider the suggested dates that management will provide the other information and agree as to when the procedures on the other information will be performed, including whether it makes most sense to perform such procedures on the other information in its entirety after the auditor’s report date.</p> <p>We have included our suggested edit for paragraph 22 below, and suggest the edit be applied to other paragraphs of the proposed SAS, as applicable, when similar language is used.</p> <p>22. The auditor’s report should include a separate section with the heading “Other Information,” or other appropriate heading, when, at the report release date of the auditor’s report the auditor has obtained some or all of the other information <u>and has performed the procedures required by this proposed SAS.</u></p>		
49	23	27 – Deloitte	We suggest the following: (a) “if any” be deleted from paragraph 23, as the auditor’s report is only required to include an other information section by paragraph 22 when at the date of the	Task Force to consider.	

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			<p>auditor’s report, the auditor has obtained the other information (note that this is different than ISA 720 (Revised), paragraph 21(a), in which the circumstance exists where the auditor may not have performed procedures, but is still reporting) and (b) the statement that the auditor’s opinion does not cover the other information be deleted to align with the auditor’s reporting requirements of AU-C section 730, <i>Required Supplementary Information</i> (AU-C 730), which does not include similar language and we believe is not needed. Therefore, we suggest the following edits to paragraph 23:</p> <p>23. When the auditor’s report is required to include an other information section in accordance with paragraph 22, the section should include the following: (Ref: par. A58)</p> <ul style="list-style-type: none"> a. A statement that management is responsible for the other information b. An identification of other information, if any, obtained by the auditor prior to the date of the auditor’s report (Ref: par. A59) c. A statement that the auditor’s opinion does not cover the other information and that the auditor does not express an opinion or any form of assurance on the other information 		

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			<p>d. A description of the auditor’s responsibilities relating to reading, considering, and reporting on other information as required by this proposed SAS</p> <p>e. Either</p> <p style="padding-left: 20px;">i. a statement that the auditor has nothing to report or</p> <p style="padding-left: 20px;">ii. if the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information</p> <p>We also believe that AU-C 730 should be revised to add a (1) statement that management is responsible for the required supplementary information and (2) statement that the auditor has nothing to report to be consistent with the proposed SAS.</p>		
50	23b	20 – GT	<p>Overall, paragraph 23 is predicated on the fact that the auditor has received some or all of the other information. Therefore, the reference to “if any” in subparagraph b appears inappropriate, and we recommend the following edits:</p> <p style="padding-left: 20px;">An identification of <i>the</i> other information, if any, obtained by the auditor prior to the date of the auditor’s report...</p>	Proposed edits have been made.	YES
51	23c	28 – NSAA	<p>The reference to assurance in proposed AU-C 720.23(c) differs from extant wording in AU-C 730.8(c)(ii) and (d)(ii) on required supplementary information. Specifically, proposed AU-C 720</p>	Agreed – Task Force to consider appropriate wording.	

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			uses “any form of assurance” while AU-C 730 uses “any assurance.” Further, proposed AU-C 700 uses “any other form of assurance” in illustrative language for prior period financial statements audited by a predecessor auditor (A77), prior financial statements were compiled (A79), and prior financial statements not audited, reviewed, or compiled (A80). We suggest the Board use consistent terminology throughout the SASs so that similar statements in the auditor’s report are not phrased differently.		
52	A59	19 – BDO	We do not believe it would be appropriate to include any statement within the auditor’s report regarding procedures performed on any information not released prior to the issuance of the audit report as suggested in paragraph A59 of the proposed standard.	Task Force to consider.	
53	A59	20 – GT	We recommend the following edits to this paragraph to improve the clarity of the proposed guidance: ...The auditor may consider it appropriate to do so, for example, when management can represents to the auditor, <i>in accordance with paragraph 13(c)</i> , that such other information will be issued after the date of the auditor’s report.	Proposed edits have been made.	YES
54	A59	27 – Deloitte	We suggest the paragraph be deleted from the proposed SAS as it may cause inconsistency in auditor reporting and widen the potential or existing expectation gaps for users of the auditor’s report. The proposed SAS also does not include an illustration of the auditor’s report in this circumstance.	Task Force to consider.	

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			<p>A59. Though not required, the auditor may consider that the identification in the auditor’s report of other information that the auditor expects to obtain after the date of the auditor’s report would be appropriate in order to provide additional transparency about the other information that is subject to the auditor’s responsibilities under this proposed SAS. The auditor may consider it appropriate to do so, for example, when management can represent to the auditor that such other information will be issued after the date of the auditor’s report.</p>		
55	23 (e) i	4 – Akresh	<p>The ED (par 23e i) requires the auditor’s report to contain a statement that the auditor has nothing to report. This will not be understood by the average reader, who probably will think the auditor is hiding something. Nothing to report sounds like “I have nothing to say” or “I take the Fifth Amendment”. The auditor’s report contains 3 paragraphs about other information, so the auditor must be reporting something. I believe the auditor is reporting that he read the other information and noted no material inconsistencies with the financial statements and no appearances of material misstatement of the financial statements. Why not just say so in plain English?</p> <p>The report states the auditor’s responsibilities regarding the other information, but does not state that the auditor met those responsibilities. The reader wants to know what the auditor did and whether he found what he was looking for, not what he was</p>	Task Force to consider – would not be consistent with ISA 720 (Revised).	

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			<p>supposed to do. Here is my suggestion for the third paragraph of a report section on other information. Similar changes should be made to the other examples.</p> <p><u>Example wording for other information</u></p> <p>(First two paragraphs same as in ED).</p> <p>We read the other information. In our reading, we noted no material inconsistencies with the financial statements or the knowledge we obtained in our audit and no appearances of material misstatement of the financial statements.</p>		
56	23 (e) i A65 (Illustrative Reports)	7 – WA State Auditor	<p>We recommend that the current language be retained to avoid the appearance of providing negative assurance. However, if the Board wishes to add the proposed language, we recommend it be amended as follows in order to mitigate potential confusion over assurances provided on the other information:</p> <p>AU-C 720.23(e) (i) a statement that the auditor has nothing to report <u>and had the auditor performed additional procedures, other matters might have come to the auditor’s attention that would have been reported,</u> or</p> <p>AU-C 720.A65 Illust. 1.</p>	Task Force to consider – would not be consistent with ISA 720 (Revised).	

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			<p>... If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. <u>While we have nothing to report regarding this other information, had we performed additional procedures, other matters might have come to our attention that would have been reported herein.</u></p>		
57	A63	7 – WA State Auditor	<p>Proposed AU-C section 720.A63 does not prohibit auditors from including unmodified language for other information that “We have nothing to report in this regard.” We would have the same concern for adverse opinions that we have for disclaimer of opinions. As articulated in proposed AU-C section 720.A64, including such a statement addressing other information might overshadow the adverse opinion on the financial statements as a whole.</p>	Task Force to consider – would not be consistent with ISA 720 (Revised).	
58	25	23 – PwC	<p>We believe the proposed other information standard should provide incremental guidance on the nature and extent of required documentation to support the requirement in paragraph 25. Our recommendations to limit the auditor’s incremental procedures to other information directly related to the audited financial statements should reduce the audit effort compared to what is currently proposed. Nonetheless, it still presents greater involvement by the auditor regarding other information than is required under the extant standard. If the proposed SAS is finalized as it is currently proposed, we believe it is even more essential that documentation guidance be provided to clarify what</p>		

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			is expected to demonstrate compliance with the work effort and support the auditor’s conclusion as to whether a material misstatement of the other information exists.		
59	A65 (Illustrative Reports)	20 – GT	<p>If the Board moves forward with the proposed reporting illustrations, we believe the illustration should also include suggested language for instances where some, but not all, of the other information was obtained prior to the date of the auditor’s report. We recommend that the Board incorporate the following bolded, italicized language into this illustration as an option to clarify these instances (note: the proposed language below aligns with illustration 3 of ISA 720, <i>The Auditor’s Responsibilities Relating to Other Information</i>):</p> <p style="padding-left: 40px;">The other information <i>obtained at the date of this auditor’s report is</i> [information included in the X report], but does not include the financial statements and our auditor’s report thereon.</p> <p>We further note that the sentence beginning with “If, based on the work we performed” starts a new paragraph in the other three illustrations presented, but remains part of the previous paragraph in this illustration. We do not readily see a reason for the difference and therefore recommend the illustrations be consistently presented by either creating a new paragraph in illustration 1 or combining the paragraphs in the other three illustrations.</p>	Task Force to consider.	

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60	A65 (Illustrative Reports)	27 – Deloitte	<p>We suggest the following edits for Illustration 1 to address comments previously provided. We also suggest that the edits be applied to the other illustrations as applicable (note we believe the paragraph on other information can be one paragraph versus three as presented in the proposed SAS).</p> <p>Other Information [Included in the Annual Report]</p> <p>Management is responsible for the other information [included in the annual report¹] (the “other information”). The other information comprises the [information included in the X report],² but does not include the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and we do not express an opinion or any form of assurance on it. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.</p> <p>¹ <u>A more specific description of the other information, such as “the management report and chairman’s statement,” may be used to identify</u></p>	Task Force to consider.	

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			<p><u>the other information.</u></p> <p>² A more specific description of the other information, such as “the management report and chairman’s statement,” may be used to identify the other information.</p>		

Note: PricewaterhouseCoopers LLP (comment letter #23) and Ernst & Young LLP (comment #25) includes an appendix with considerable revisions. Those changes will be evaluated separately.