



ASB Meeting, October 15-17, 2018

High Level Summary

The ASB met in Cincinnati, Ohio, on October 15-17, 2018. The ASB thanked Chuck Landes, Vice President—Professional Standards, for his years of service and wished him well with his retirement, and welcomed Bob Dohrer, Chief Auditor.

Below is a summary of the topics discussed.

Omnibus SAS

The ASB voted unanimously to vote to ballot proposed Statement on Auditing Standards (SAS) *Omnibus Statement on Auditing Standards—2019*, for issuance as a final standard. The standard's effective date will be aligned with the effective date of the auditor reporting suite of standards (see below).

The Omnibus SAS primarily amends AU-C section 550, *Related Parties*, and AU-C section 240, *Consideration of Fraud in a Financial Statement Audit*. This project arose from the ASB's strategy of considering the standards of other standard-setters, such as the PCAOB, in its continuing efforts to promulgate high-quality, objective audit and attestation standards that inspire public trust.

Auditor Reporting (700 Series)

The ASB discussed proposed changes to the exposure draft *Proposed Statements on Auditing Standards—Auditor Reporting and Proposed Amendments—Addressing Disclosures in the Audit of Financial Statements*, to address comment letter responses. Major conclusions reached included the following:

- Retaining flexibility in the auditor's report relating to the timing of communications with those charged with governance and consider including additional examples relating to items that may be important to communicate prior to issuance of the auditor's report.
- Continued exploration of including the city and state of the addressee in the auditor's report
- Inclusion of a statement in the Basis for Opinion section that the auditor is required to be independent and to meet relevant ethical requirements, rather than an affirmative statement about independence.
- Inclusion of language in the auditor's report relating to management's and auditor's responsibilities relating to going concern
- Acceptance of proposed revisions to the auditor's responsibilities paragraph relating to communications with those charged with governance.

- An effective date not earlier than for audits of financial statements for periods ending on or after December 15, 2020. The effective dates for the SASs on other information, audits of ERISA plans, and the Omnibus Statement on Auditing Standards—2019 will be aligned.

Audit Evidence

The ASB discussed the proposed SAS *Audit Evidence*, which would supersede AU-C section 500, *Audit Evidence*.

Major conclusions reached were as follows:

- Revise objective to sharpen the focus on obtaining and evaluating audit evidence.
- Retain, with some refinements, the requirements and application material added to provide the auditor with a framework for evaluating whether sufficient appropriate audit evidence has been obtained.
- Relocate content related to management’s specialists to either AU-C section 620, *Using the Work of an Auditor’s Specialist*, or a new standard.
- Incorporate in the proposed SAS conforming amendments to ISA 500, *Audit Evidence*, arising from the final ISA 540, *Auditing Accounting Estimates*.

A revised draft will be brought to the ASB at its January 2019 meeting with the intent of asking the ASB to vote the proposed standard for exposure.

Other Information

The ASB discussed issues related to proposed revisions to AU-C section 720, *Other Information in Documents Containing Audited Financial Statements*.

Major conclusions reached were as follows:

- Require reporting on other information only when the annual report contains, accompanies, or incorporates by reference the financial statements and the auditor’s report thereon. Input will be sought from the AICPA’s Not-for-Profit Expert Panel.
- Allow, as in AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*, auditor’s reports to not include the paragraph on other information.
- Revise the proposed report wording so as to tie into the proposed performance requirements.
- Revise the definition of *misstatement of the other information* to incorporate the definitions of *inconsistency* and *material misstatement of fact* from extant AU-C section 720; omit the parenthetical phrase that refers to omitted or obscured information; and include application material.
- Retain the proposed requirement for the auditor to consider other information in the context of the auditor’s knowledge obtained in the audit.

A revised draft will be brought to the ASB at its January 2019 meeting.

Other Items Discussed

The ASB discussed the requirement in AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, regarding regulatory basis financial statements intended for general use. In this circumstance, the auditor is required to opine both on whether the financial statements are presented fairly in accordance with generally accepted accounting principles and on whether the financial statements are prepared in accordance with the special purpose framework. Outreach to regulators and other interested parties will be conducted to get feedback.

The ASB discussed its comment letter to be submitted to the International Audit and Attest Standards Board on its exposure draft *Proposed International Statement on Auditing (ISA) 315 (Revised)—Identifying and Assessing the Risks of Material Misstatement*.

The next meeting of the ASB will be January 14-17, 2019, in La Jolla, California.