



Agenda Item 3

Other Information

Objective of Agenda Item

To discuss a draft revised Statement on Auditing Standards, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports* and approve the draft as a final SAS.

Background

The Other Information Task Force was charged with considering ISA 720 (Revised) and whether revisions should be made to AU-C section 720 in order to converge U.S. GAAS with ISA 720 (Revised). Mike Glynn serves as the staff liaison to the Task Force. The Task Force currently consists of:

Elizabeth S. Gantnier – Task Force Chair – Former ASB member
Jan Herringer – ASB member
Kristen Kociolek – ASB Member
Jeffrey Markert – Member of the State and Local Government Expert Panel
Dan Wernke – TIC member

Pre-exposure

The Task Force presented certain issues with respect to the development of the proposed standard to the ASB at the ASB's meetings in August and October 2016, January (draft standard presented) and May 2017 (draft standard presented) and requested feedback. At various times, the Task Force proposed revising AU-C section 720 using either extant AU-C section 720 or a draft of the proposed PCAOB revised standard as a base. Ultimately, the ASB directed that ISA 720 (Revised) be used as the base, consistent with the ASB's strategic objective to converge its standards with those of the IAASB.

At its meeting in July 2017, the ASB voted unanimously to expose the proposed SAS for public comment. It was directed that the proposed SAS be exposed at the same time as the proposed auditor reporting suite of standards.

Consideration of comments received on exposure draft and ASB feedback

At its meeting in July 2018, the ASB discussed the comments received on the public exposure of the proposed statement. Specifically, the ASB focused on significant

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concerns that were raised with respect to both the proposed requirement for the auditor to include a separate section in the auditor's report addressing other information (including the wording in the report, itself) as well as the proposed performance requirements with respect to other information. The ASB directed the Task Force to develop a standard that retained the performance requirements from extant AU-C section 720, be cognizant that no framework exists for other information in a private company setting, and to place such requirements in a model that was true to the "spirit" of ISA 720 (Revised) (the spirit of the standard being to improve the transparency of the auditor's responsibility for OI by requiring reporting and describing the procedures performed). Further, the Task Force was directed to align the reporting requirement such that it is applicable only when all the other information has been received as of the date of the auditor's report on the financial statements.

At its meeting in October 2018, the ASB discussed the Task Force's recommendations pursuant to direction previously provided by the ASB at its meeting in July 2018 with respect to reporting and performance requirements within the proposed revised standard. Pursuant to the ASB's directive, a revised draft of the proposed standard was not presented.

With respect to performance requirements, the ASB directed that the term *misstatement of the other information* from ISA 720 (Revised) be used with some modification. Application guidance may be included stating that a *misstatement of the other information* may be an *inconsistency* or a *material misstatement of fact* incorporating the definitions from extant AU-C section 720.

At its meeting in January 2019, the ASB discussed and provided feedback to the Task Force with respect to a draft revised SAS. A significant recommendation was to clarify the term *misstatement of the other information*, by stating that such misstatement may a) be an inconsistency; b) be a material misstatement of fact; or c) otherwise result in the other information being misleading. The concept of "omitted or obscured information" would be captured by c.

Overall Action Requested of ASB

The ASB is asked to vote to issue the proposed SAS, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports* as a final SAS.

Agenda Items Presented:

- Agenda item 3A Proposed revised Statement on Auditing Standards, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports* – redline to show changes from draft presented to the ASB in January 2019
- Agenda item 3B Proposed revised Statement on Auditing Standards, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports* – clean

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Agenda item 3C Matrix comparing ISA 720 (Revised), extant AU-C section 720, and the proposed revised SAS.

Please note that Ms. Gantnier will refer to Agenda item 3A in leading the discussion at the ASB meeting.