



Agenda Item 3A (1)

Issues Paper: Conforming Amendments - AU-C section 930

This issues paper addresses issues with respect to the proposed revisions to AU-C section 930 only. Please see the separate issues papers with respect to the proposed revisions to AU-C sections 935 and 940.

Agenda item 3A(i) illustrates the proposed revisions to AU-C section 930 for conformity with revised AU-C section 700.

Background

At its meeting in July 2019, the ASB considered proposed revisions to AU-C section 930 for conformity with revised AU-C section 700 and also for conformity with AR-C section 90, *Review of Financial Statements*. After discussion, the ASB concluded that revisions to AU-C section 930 for consistency with AR-C section 90 should not be made. Further, the Board suggested that the reporting requirements in AU-C section 930 should be in harmony with the requirements in the Public Company Oversight Board's AS 4105, *Reviews of Interim Financial Information*. This would include the placement of the auditor's review conclusion at the beginning of the review report on interim financial information.

Because the proposed revisions to AU-C section 930 expanded beyond the original charge, the ASB directed that a task force be developed to consider the proposed revisions. To that end, ASB members Jay Brodish, Alan Long, Aaron Saito agreed to serve on the task force. The task force is staffed by Mike Glynn.

Issues For ASB Consideration

Issue #1 – Required statement regarding management's responsibility for the interim financial information

While the task force prepared the draft revisions with the goal of minimizing differences with PCAOB AS 4105, the task force determined to retain the discussion of management's responsibility for the interim financial information contained in paragraph .31(d) of extant AU-C section 930. The task force believes that the extant requirement is more transparent and informative for users of the auditor's review report. Additionally, the wording in extant is consistent with the relevant reporting requirement in AR-C section 90.

Paragraph .37C(a) of AS 4105 requires a statement that the interim financial information is the responsibility of the entity's management.

Paragraph .31(d) of extant reads as follows:

.31 The written review report should include the following:

...

- d. A section with the heading "Management's Responsibility for the Financial Statements" that includes an explanation that management is responsible for the preparation and fair presentation of the interim financial information in accordance with the applicable financial reporting framework; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with the applicable financial reporting framework.

For consistency with the related requirement in paragraph .32(a) of revised AU-C section 700, the Task Force proposes that the requirement read as follows:

- d. A second section that includes the heading "Basis for Review Results" and includes the following statements
 - i. Management is responsible for the preparation and fair presentation of the interim financial information in accordance with the applicable financial reporting framework, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Action Requested of the ASB

Does the ASB agree with the proposed revised reporting requirements with respect to management's responsibility for the interim financial information?