



ASB Meeting, October 28-31, 2019

The ASB met in New York City on October 28-31, 2019. Below is a summary of the topics discussed.

Attestation Standards

The ASB voted to ballot for issuance as a final standard a Statement of Standards for Attestation Engagements (SSAE) that supersedes AT-C section 215, *Agreed-Upon Procedures Engagements*, and amends AT-C section 105, *Concepts Common to All Attestation Engagements*, specific to the revised agreed-upon procedures standard.

The significant changes to extant AT-C section 215 are as follows:

- Elimination of the requirement to request from the responsible party a written assertion about the measurement or evaluation of the subject matter against the criteria, and accordingly, deletion of the requirement that, when the responsible party refuses to provide a written assertion, the practitioner disclose that refusal in the report.
- Elimination of the requirement for the procedures to be known at the onset of the engagement and for all intended users of the practitioner's agreed-upon procedures report accept responsibility for the sufficiency of the procedures. Instead, the revised standard provides flexibility for practitioners by permitting the procedures to be developed over the course of the engagement, with the assistance of, the practitioner.
- Replacement of the requirement that all intended users to accept responsibility for the sufficiency of the procedures by a requirement that the engaging party acknowledge that the procedures are appropriate for the intended purpose of the engagement prior to the issuance of the report.
- Elimination of the requirement that all agreed-upon procedures reports be restricted to the use of those parties that accepted responsibility for the sufficiency of the procedures. The revised standard permits general-use reporting.

The revised AT-C section 215 is effective for practitioners' agreed-upon procedures reports dated on or after July 15, 2021. Early implementation is permitted.

The ASB also discussed conceptual issues related to proposed revisions to AT-C section 205, *Examination Engagements*, and AT-C section 210, *Review Engagements*, and will review proposed drafts at future meetings.

Description of Materiality

The ASB voted unanimously to ballot for issuance as final standards a SAS and an SSAE, both titled *Amendments to the Description of the Concept of Materiality*. The standards amend AU-C section 320, *Materiality in Planning and Performing an Audit*, and various other AU-C sections

and AT-C sections. The amendments align the materiality concepts of the AICPA *Professional Standards* with the definition of materiality used by the U.S. judicial system and other U.S. standard setters and regulators, including the FASB. The ASB believes that eliminating inconsistencies between the AICPA standards and the definition of materiality used by the U.S. judicial system and other U.S. standard-setters and regulators is in the public interest. Because the revised definition is aligned with the FASB, the ASB believes it is substantially consistent with current firm practices with respect to determining and applying materiality in an audit or attest engagement and accordingly the amendments will not change practice, nor are they intended to.

Conforming Amendments

The ASB voted to ballot for exposed proposed SAS *Amendments That Affect AU-C Sections 720, 725, 930, 935 and 940*. The proposed SAS contains amendments to the following AU-C sections:

- Section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*
- Section 730, *Required Supplementary Information*
- Section 930, *Interim Financial Information*
- Section 935, *Compliance Audits*
- Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*

The proposed amendments address revisions necessary to conform to SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Statements*, SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*, and the SAS *Amendments to the Description of the Concept of Materiality* (which the ASB voted to ballot for issuance at this meeting). In addition, amendments are proposed to AU-C sections to reflect certain practice issues that have arisen since the most recent revisions to these AU-C sections. In particular, AU-C section 935 has also been revised for recent developments in the compliance arena such as issuance of Uniform Guidance, changes in the OMB Compliance Supplement, and the most recently issued Yellow Book.

Audit Evidence

The ASB discussed comments received from exposure of proposed SAS *Audit Evidence*.

40 comment letters were received. The comment letters expressed broad support for the proposed SAS with numerous recommendations and suggestions that the ASB will consider in finalizing the proposed SAS.

Significant areas discussed were as follows:

- The attributes and factors that the auditor would be required to consider in making the evaluation whether sufficient appropriate audit evidence has been obtained.
- Whether to retain the diagram included in the proposed SAS, with the decision to remove the diagram from the proposed SAS. The diagram (with some revisions to address the comments by responders) could be used in implementation material.
- The revised definitions, in particular 1) audit evidence, 2) appropriateness, and 3) sufficiency, with the decision to restore the definitions of appropriateness and sufficiency back to extant.
- The flow of the requirements, with support for the direction of the indicative drafting proposed in the agenda materials.
- The guidance related to the automated tools and techniques, with support for the direction of proposed in the agenda materials
- External confirmations, with the conclusion to rescind the conforming amendments that would have permitted oral confirmations and consideration of adding application material addressing the use of electronic means to obtain external confirmations.
- Relocation of the content of management's specialist currently in AU-C section 500, with the conclusion to place this content in a separate section.

Other Matters

The ASB discussed IAASB projects on Risk Assessment, Quality Management and Group Audits, including issues related to convergence with the resultant IAASB standards.