



Agenda Item 2A

Comment Letters on the Proposed SAS, Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes from SAS No. 134

Comment Letter Number	Name of Commenter
1	Tennessee Department of Audit, Division of State Audit
2	Deloitte & Touche LLP
3	National Association of State Boards of Accountancy (NASBA)
4	Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants (FICPA)
5	RSM US LLP
6	Michigan Office of the Auditor General
7	The Virginia Society of CPAs (VSCPA) Accounting & Auditing Advisory Committee
8	Office of the Washington State Auditor
9	Local Government Services of the Montana Department of Administration
10	Ernst & Young LLP
11	Hunter College Graduate Program
12	National State Auditors Association
13	CliftonLarsonAllen LLP
14	KPMG LLP
15	Texas Society of CPAs
16	Auditor of Public Accounts, Commonwealth of Virginia
17	Private Companies Practice Section
18	Emerging Standards Committee (ESC) of the Kentucky Society of Certified Public Accountants (KyCPA).
19	Grant Thornton

Summary of Comments on Proposed SAS, Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes from SAS No. 134

AU-C Section 800, Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks

Comments Relevant to AU-C Section 800, <i>Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks</i>			
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Reinstate Extant Par. 3 on AU-C 910, <i>Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</i>			
Reinstate extant paragraph 3 which addresses AU-C 910	Hunter College	Paragraph .03 – this paragraph deleted text related to section 910, <i>Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</i> – we suggest keeping this text as section 910 is still relevant to Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks. .03 Section 910, <i>Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country</i> , addresses circumstances in which an auditor practicing in the United States is engaged to report on financial statements that have been prepared in accordance with a financial reporting framework generally accepted in another country not adopted by a body designated by the Council of the AICPA (Council) to promulgate generally accepted accounting principles (GAAP) when such audited financial statements are intended for use outside the United States.	Neither the Task Force nor the ASB could (1) come up with a compelling reason for keeping it in the standard or (2) determine how section 910 would apply to special purpose F/S.
	Grant	800.03 We recommend reinstating the sentence regarding AU-C section 910. We believe it continues to be relevant and applicable.	
Views on Recasting Five SPFs as Examples of SPFs			
Agrees with moving SPFs to application paragraph as examples of SPFs. Par. 7 and A1	RSM	We concur that cash, tax, regulatory, contractual and other bases of accounting are examples of special purpose frameworks, rather than part of the definition of <i>special purpose framework</i> . We therefore agree that such examples should be moved from the definition to new application paragraph .A1. However, we note that paragraph .A1 is only referenced in the definition of <i>special purpose financial statements</i> . We recommend that paragraph .A1 also be referenced in the definition of <i>special purpose framework</i> .	Add a reference to paragraph A1 to the definition of <i>special purpose framework</i>
	E&Y	1) We support moving the example special purpose frameworks to application guidance.	
Disagrees with moving SPFs to	Grant	Definition of a special purpose framework/convergence matters We see that the Board is proposing to revise the definition of “special purpose framework”	

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<p>application paragraph as examples of SPFs.</p> <p>Par. 7 and A1</p> <p>Retain the 5 SPFs as the only SPFs rather than as examples of SPFs.</p>		<p>in order to align it more closely with the definition that exists in ISA 800 (Revised), <i>Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks</i>. While we generally support convergence, we are concerned this proposed change could have negative unintended consequences on the application of certain requirements in the standard given the specificity of those requirements to certain types of frameworks.</p> <p>Currently, AU-C section 800, <i>Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks</i>, defines a special purpose framework as being, specifically, one of the following: cash basis, tax basis, regulatory basis, contractual basis, or other basis. Each basis is then defined individually. This construct enables that certain requirements in the remainder of the standard be limited to certain of these bases. For example, requirements specific to when the regulatory basis of accounting is used or other requirements specific to contractual basis of accounting. Moving these definitions to application guidance and calling them examples of special purpose frameworks could result in unintended changes in how such frameworks, particularly regulatory, are currently defined and used in practice. We believe this could cause unnecessary confusion to auditors since the definitions will no longer align with how the remaining requirements are constructed. Accordingly, we recommend that the Board reconsider adopting the international definition and retain the extant presentation. If the Board moves forward with the definition as proposed, we believe further clarification to the requirements prescribed for specific types of special purpose frameworks will be necessary.</p> <p>As described in the body of the letter, we recommend the Board reinstate the existing definition of special purpose framework.</p> <p>We generally support the other proposed changes with respect to converging with the international standards.</p>	
Adding the phrase “designed to meet the financial information needs of specific users” to the Definition of SPF			
<p>Definition of SPF</p> <p>Par. 7</p> <p>Revise definition to delete “designed to meet the financial</p>	E&Y	<p>However, we suggest the following change to the revised definition of a “special purpose framework.” [The suggested change is to end the definition after the word “GAAP” because the addition of the words “designed to meet the financial information needs of specific users” may imply that all special purpose frameworks are not suitable for general use, which is not the case.]</p>	

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information needs of specific users.”		We suggest Special purpose framework . A financial reporting framework other than GAAP designed to meet the financial information needs of specific users . that is one of the following bases of accounting: (Ref: par. A2–A5 .A6).	
	Montana Dept. of Administration	1. The term "Specific Users" in proposed paragraph 800.07 conflicts with existing paragraph 800.21, which addresses the concept of general use financial statements. If an entity prepares financial statements for general use, those financial statements are not meant for specific users. Please consider revising the definition of special purpose framework in paragraph 800.07.	
	NASBA	The Exposure Draft defines “special purpose framework” as a “financial reporting framework other than GAAP designed to meet the financial information needs of specific users.” If certain special purpose framework financial statements can be issued for general use, then the definition may need to be revised.	
<u>Add FRF for SMEs to the List of Examples of SPFs</u>			
FRF for SMEs should be added to the list of examples of SPFs Par. A1	TIC	<p>TIC believes that paragraph .A1 of AU-C section 800 specifically should address the FRF for SMEs as one of the examples of special purpose frameworks, rather than combining it with “other frameworks.” TIC believes that, since the issuance of the FRF for SMEs in 2013, this framework has become more widely accepted and is more akin to the cash and tax bases of accounting rather than the contractual basis, which typically would be limited as to use and may only be suitable for certain purposes. TIC would even argue that the FRF for SMEs is a more robust framework than the cash and tax bases, as it includes both presentation and disclosure guidance and is more akin to U.S. GAAP than both the cash and tax bases, including management considerations related to going concern.</p> <p>In addition, with the upcoming effective dates of the FASB revenue standard under ASC 606 and upcoming new standard on leases under ASC 842 for private companies, some TIC clients have found the FRF for SMEs to be the most suitable financial reporting framework that results in less cost and complexity while still satisfying the needs of financial statement users (typically this would include lenders). As noted at a September TIC meeting in Norwalk with the FASB, one TIC member noted almost 40 percent of their client base converted from U.S. GAAP to the FRF for SMEs due to these additional U.S. GAAP complexities. In large part, this has been due to this firm performing outreach and educating the local banks on the similarities and differences between U.S. GAAP and the FRF for SMEs.</p>	<p><u>Points to Consider</u> Appendix A of the AICPA Code of Conduct, “Council Resolution Designating Bodies to Promulgate Technical Standards” does not include the body that established FRF for SMEs</p> <p>Cash and tax bases have a long history of use.</p>

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		TIC believes that, as U.S. GAAP becomes more complex, costly, and onerous for smaller private entities to apply, this trend may continue. While the cash and tax bases might be widely understood and accepted, the recognition, measurement, and disclosure requirements are not nearly as robust as those required by the FRF for SMEs.	
	Texas Society	After reviewing amendments to Section 800, the committee thinks that the substantive meanings of the new definitions remain unchanged. On page 10, special purpose frameworks are defined, but the five specific frameworks provided as examples are not inclusive of the AICPA’s Financial Reporting Framework for Small- and Medium-Sized Entities (FRF for SMEs). The definition on page 19 of “other basis” is open ended to include those frameworks that are not specifically mentioned. However, the alternative accrual basis framework that was developed for FRF for SMEs business by AICPA should be prominently included in the list of example frameworks.	
Edit Definition of regulatory basis of accounting: Change “commission” to ‘department’ Paragraph A1c	E&Y	7) AU-C 800, paragraph .A1.c. defines a regulatory basis of accounting as follows: <i>“A basis of accounting that the entity uses to comply with the requirements or financial reporting provisions of a regulatory agency to whose jurisdiction the entity is subject (for example, a basis of accounting that insurance companies use pursuant to the accounting practices prescribed or permitted by a state insurance commission).”</i> We understand that, in the United States, the state body prescribing the basis of accounting is generally referred to as the state insurance “department,” not “commission.” We recommend changing the reference, which would also further align with the references used in the AICPA’s insurance industry audit and accounting guides.	Make this change per Kim Kushmerick
Revisit Compliance Frameworks			
Revisit proposal to include compliance frameworks in AU-C 800 to achieve convergence with ISAs and eliminate the dual opinion.	Grant	Compliance frameworks We appreciate the Board’s deliberations on the potential introduction of compliance frameworks as a potential special purpose framework and are supportive of a continued project to explore whether and how such frameworks could be incorporated into the auditing standards.	The ASB plans to address compliance frameworks in the near future.
	RSM	Convergence: Compliance frameworks We understand the Auditing Standards Board did not include the concept of a compliance framework within this proposed standard. To further converge U.S. generally accepted auditing standards with International Standards on Auditing and to address existing practice challenges related to certain statutory accounting frameworks, we encourage the Board to revisit the topic of compliance frameworks in a future project.	

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	E&Y	<p>However, we encourage the ASB to continue its efforts to incorporate the concept of a compliance framework for certain types of special purpose frameworks, which would further align auditing standards generally accepted in the United States with the international auditing standards. Incorporating the concept of a compliance framework would also eliminate unnecessary audit procedures for evaluating an entity's compliance with a reporting framework that is not intended to achieve "fair presentation" and simplify the auditor's reporting requirements.</p> <p>For example, the existing requirement to include a separate adverse opinion in the auditor's report stating that the financial statements are not prepared in conformity with generally accepted accounting principles (GAAP), even though the financial statements were prepared in accordance with an other comprehensive basis of accounting other than GAAP, seems unnecessary.</p>	
Reminder in Par. 3 Regarding Applicability of AU-C 570			
Applicability of AU-C 570 to SPF financial statements Par. 3	Kentucky	We generally agree with issuing guidance to specifically state AU-C 570 applies to audits of special purpose financial statements.	
	RSM	We agree with the addition of an introductory paragraph stating that AU-C Section 570, <i>The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern</i> , applies to audits of special purpose financial statements as we believe it is important to make this statement more visible instead of including it in an application paragraph where it could be overlooked.	
Require the Auditor to Obtain Agreement From Management That It Is Responsible for Disclosing Significant Interpretations of Any SPF			
Consider requiring management to agree that it is responsible for disclosing significant interpretations of the SPF in all audits of SPF f/s. Par. 11c	Washington State Auditor	Extant paragraph 11(c) requires a description of any significant interpretations for financial statements prepared in accordance with a contractual basis of accounting. We would encourage the Board to consider whether this requirement should be generalized to all special purpose frameworks.	<p>Suggest no change.</p> <p>Because there is a greater likelihood that contracts will vary there is a greater likelihood that interpretation will occur. For other bases of accounting, there is greater consensus about</p>

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			what is being said and less interpretation.
Financial Statements, Including Disclosures			
Par. .A12 and .A24	Washington State NSAA	We noted that .A12 and .A24 both address achieving fair presentation, but consideration of disclosures has been removed from .A12. We think disclosures should continue to be referenced in .A12, consistent with .A24.	In par. A12, the phrase “including the related notes” was deleted. In par. A24, the phrase “including the related notes” became “including the disclosures.”
Auditor’s Responsibilities re Going Concern			
Agrees with clarifying the auditor’s responsibilities re going concern in all audits Par. 14, A17 Divide par. .A17 into 2 paragraphs	RSM	We also agree with the clarification that, in all audits of special purpose financial statements (irrespective of whether the going concern basis of accounting is relevant to the preparation of the special purpose financial statements), the auditor is required to do the following: <ul style="list-style-type: none"> • Conclude whether substantial doubt exists about the entity’s ability to continue as a going concern for a reasonable period of time. • When substantial doubt exists, evaluate the adequacy of the financial statement disclosures as required by the applicable financial reporting framework. <p>Further, we agree with the related application guidance. However, we suggest that consideration be given to dividing the guidance in application paragraph .A17 into shorter paragraphs so as to make it easier to read and understand.</p>	
Management’s Responsibility re Going Concern			
Management’s responsibility re going concern Par. A17	FICPA	We found the proposed changes to the auditing standard created an unintended appearance that management has minimal responsibility to communicate or evaluate substantial doubt about the entity’s ability to continue as a going concern when the financial statement(s) utilize a special purpose framework. The illustrations include the description of management’s responsibility related to going concern as a footnote and not the expectation for the auditor’s reports on a special purpose framework. We feel that all audit reports should make it clear that this responsibility is management’s and may not be applicable.	.Par. A17 indicates that the going concern basis of accounting may or may not be relevant to the SPF. If it is not relevant, the auditor’s

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Management's responsibility re going concern Par. A17	Texas Society	The committee would like to request a clarification on whether or not the proposed standard precludes a statement of conclusion (third bullet point on summary page 10). If reporting on special purpose statements, the committee thinks that the preparer must conclude on going concern. Paragraph .17 [A17] on page 16 states that if a special purpose framework is used and disclosures are adequate, a going concern issue does not have to be stated in the auditor's conclusion. The committee does not believe that this position is in the best interest of the profession or the public. Whether or not to modify the opinion should be left up to judgment of the auditor.	report would not state that management is responsible for making a going concern assessment. The AU-Cs cannot require management to make such an assessment.
Add Reference to AU-C 703, <i>Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA</i>			
Add reference to AU-C Section 703 in header above par. A19,	NSAA	3. The section header to AU-C Section 800.A19 at page 22 should read as follows: Application of Section 700 <u>or Section 703</u> When Reporting on Special Purpose Financial Statements.	
Clarify the Requirement to Communicate KAMS if Engaged to Do So in an Audit of SP F/S			
KAMS Par. .A20	E&Y	8) AU-C 800, paragraph .A20 includes the following proposed application guidance: <i>“For audits of special purpose financial statements, section 701, Communicating Key Audit Matters in the Independent Auditor’s Report, applies only when the auditor is engaged to communicate key audit matters”</i> We observe that AU-C 701 paragraph 4 states that this section applies to an audit of a “complete set of general purpose financial statements [emphasis added] when the auditor is engaged to communicate key audit matters.” We believe the Board should either amend the application guidance in proposed AU-C 800.A20 to better align with the scope requirements in AU-C 701.04 or clarify that these communication requirements would also apply if the special-purpose financial statements are not intended for general use, provided the auditor is engaged to communicate KAMs.	
Edit Reinstate separate paragraph requiring auditor to evaluate	Grant	We believe that combining extant paragraph .16 with proposed paragraph .16 is combining relatively unrelated requirements into a single paragraph. This could be confusing to auditors and runs the risk that the latter requirement may be missed. We recommend the Board leave these two paragraphs separate as they currently exist.	

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description of significant interpretations of the contract. Par. 16			
Edit Fair presentation Par. 17	E&Y	2) AU-C 800, paragraph 17a includes the following proposed addition: “ <i>when the special purpose financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP.</i> ” We suggest deleting this phrase since it repeats the second sentence in paragraph 17.	Make this change.
Edit Auditor’s report Restricted use Par. 18a (II)	E&Y	3) AU-C 800, paragraph 18.a.ii, as amended, states the following: “an other basis of accounting, and the auditor is required to restrict use of the auditor’s report pursuant to paragraph .06a–b of section 905, <i>Alert That Restricts the Use of the Auditor’s Written Communication</i> . (Ref: par. .A29)” We suggest the following revisions to clarify the requirement: “an other basis of accounting, and the auditor is required to restrict use of the auditor’s report that requires an alert that restricts the use of the auditor’s report pursuant to paragraph .06a–b of section 905, <i>Alert That Restricts the Use of the Auditor’s Written Communication</i> . (Ref: par. .A29)” Separately, we observe that the references in AU-C 905, Appendix A — List of AU-C Sections Relating to the Restricted Use of the Auditor’s Written Communication, needs to be updated to correctly reflect the paragraphs in the specified standards.	No change because it is not the basis of accounting that requires restriction on the use of the report but rather AU--C 905 that contains the requirement. Follow up required.
Views on Adding an Alert to the Report Regarding Suitability of SP Financial Statements for Another Purpose			
Supports the addition with appropriate revisions to EOM paragraph stating that the financial statements may not be suitable for another purpose	Grant	Suitability of purpose We support the Board’s proposal to enhance the emphasis-of-matter paragraph required by AU-C section 800 that alerts readers that the financial statements are prepared in accordance with a special purpose framework. However, we do not support requiring that the proposed additional statement, “as a result, the financial statements may not be suitable for another purpose,” apply to all financial statements prepared in accordance with contractual basis or other basis of accounting. We believe that such statement would be relevant and appropriate only in circumstances where the auditor is required to describe the	Par. 14 of ISA 800 requires this language in the EOM paragraph of all reports on f/s prepared in accordance with an SPF.

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when f/s are prepared in accordance with contractual or other basis of accounting Par. 19		<p>purpose for which the financial statements are prepared (refer to proposed paragraph .18a of AU-C section 800). Describing the original purpose provides the necessary context to readers for the alert that the financial statements may not be suitable for another purpose. As such, we recommend revising proposed paragraph .19 as follows (<i>bolded italics</i> for additions and strikethrough for deletions).</p> <p>Except for the circumstances described in paragraph .21, the auditor’s report on special purpose financial statements should include an emphasis-of-matter paragraph under an appropriate heading that <i>includes the following.</i></p> <p><i>a. A statement indicates</i> that the financial statements are prepared in accordance with a special purpose framework</p> <p><i>b. A reference refers</i> to the note to the financial statements that describes that framework, and</p> <p><i>c. A statement states</i> that the special purpose framework is a basis of accounting other than GAAP, <i>and</i></p> <p><i>d. When a description of the purpose for which the financial statements are prepared or reference to a note in the special purpose financial statements that contains that information is required pursuant to paragraph .18a, a statement that, as a result, the financial statements may not be suitable for another purpose.</i></p>	
Opposes addition to EOM paragraph stating that the financial statements may not be suitable for another purpose when f/s are prepared in accordance with contractual or other basis of accounting Par. 19	E&Y	<p>4) AU-C 800, paragraph 19 includes the following proposed addition:</p> <p><i>“For special purpose financial statements prepared in accordance with a contractual basis or other basis of accounting, the emphasis-of-matter paragraph should also state that, as a result, the financial statements may not be suitable for another purpose.”</i></p> <p>We do not support this addition. We believe extant paragraphs .A27 and .A28 provide appropriate application guidance. If the ASB believes that financial statements prepared under the cash, tax or certain regulatory basis of accounting may not require an emphasis-of-matter paragraph alerting the reader that the financial statements may not be suitable for another purpose, it should say so and provide application guidance explaining when that may be the case.</p>	
	TIC	TIC has concerns about the additional language to be added in paragraph .19 of the ED, which requires that, for special purpose financial statements prepared in accordance with a contractual basis or other basis of accounting, the emphasis-of-matter paragraph also should	

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<p>Opposes addition to EOM paragraph stating that the financial statements may not be suitable for another purpose when f/s are prepared in accordance with contractual other basis of accounting Par. 19</p>		<p>indicate that, as a result, the financial statements may not be suitable for another purpose. TIC believes that the FRF for SMEs should be treated the same way as the tax and cash bases, whereby this new additional language is not required. In addition, TIC believes the generic reference to “other basis” could cause diversity in practice so, perhaps, the ASB should consider being more prescriptive or consider adding examples in the implementation guidance paragraphs.</p> <p>TIC has concerns that, in cases where they have assisted clients in converting from U.S. GAAP to the FRF for SMEs and lenders and other users have accepted those audited financial statements, the addition of this language could add confusion and result in some lenders being more cautious of accepting this framework. TIC feels this language alludes to the fact that this alternative to U.S. GAAP may not be suitable when, in fact in most cases, it is a very suitable alternative to U.S. GAAP.</p> <p>In addition, TIC would like to note that the compilation and review literature does NOT require use of this additional language related to being suitable for another purpose. Below is the emphasis-of-matter paragraph that would be required when reviewing financial statements that have been prepared using the FRF for SMEs.</p> <p style="padding-left: 40px;">Basis of Accounting I (We) draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the AICPA’s Financial Reporting Framework for Small- and Medium-Sized Entities, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My (Our) conclusion is not modified with respect to this matter.</p> <p>In addition, paragraph .A32 of AR-C section 80, <i>Compilation Engagements</i>, indicates the following: When the financial statements are prepared in accordance with a regulatory or contractual basis of accounting, the accountant is required by paragraph .20b to describe the purpose for which the financial statements are prepared or refer to a note in the financial statements that contains that information. This is necessary to avoid misunderstandings when the financial statements are used for purposes other than those for which they were intended.</p>	

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		<p>Note that paragraph .A85 of AR-C section 90, <i>Review Engagements</i>, contains similar requirements. Therefore, the SSARS only require the practitioner to describe the purpose for which the financial statements are prepared when the financial statements are prepared in accordance with a regulatory or contractual basis of accounting, whereas the FRF for SMEs is treated the same as the tax and cash bases of accounting.</p> <p>TIC recommends consistency in the way financial statements prepared using the FRF for SMEs are treated under the SSARS and the way they are treated under the SASs since the SSARS do not require additional language related to the suitability of the report and TIC believes this is the appropriate treatment.</p>	
Supports addition to EOM paragraph stating that the financial statements may not be suitable for another purpose when f/s are prepared in accordance with a contractual or other basis of accounting Par. 19	RSM	For special purpose financial statements prepared in accordance with a contractual or other basis of accounting, we agree that the emphasis-of-matter paragraph in the auditor's report should state that the financial statements may not be suitable for another purpose.	
Eliminating the Dual Opinion for Regulatory Basis Financial Statements Intended for General Use			
Eliminate the dual opinion Par. 21	Montana Dept. of Administration	<p>2. The additional opinion requirement of existing paragraph 800.21 is inappropriate for the following reasons:</p> <p>2.1. The opinion required by paragraph 800.21 misstates the degree of assurance and reliability a user is to understand from it. AU-C 200, et al, requires "reasonable assurance" of whether the financials present in accordance with the "applicable financial reporting framework." In these instances, GAAP is not the "applicable financial reporting framework," and the opinion provides misplaced or misleading assurance.</p> <p>2.2. The opinion required by paragraph 800.21 opines on information not included in the financial statements. It is negative disclosure.</p>	The proposed change would be predicated on the inclusion of compliance frameworks in the AU-Cs.

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		<p>2.3. AU-C 705 provides that modifications to an opinion should occur when the financial statements presented are materially misstated. But the opinion required by paragraph 800.21, while suggesting that the financial statements presented are materially misstated, is not premised upon any misstatement. Rather, it is possible and even likely that an entity receiving such an opinion properly reported its financial activity. As such, the opinion required by paragraph 800.21 is unnecessarily and inconsistently punitive.</p> <p>2.4. Adequate disclosure of the fact that the financial statements are other than GAAP is sufficiently made in the titles to the financial statements, the notes to the financial statements, the auditor's responsibility paragraphs, the management responsibility paragraphs, the opinion paragraphs, and, if it were to be applicable (see recommendation below), an emphasis of matter paragraph.</p> <p>2.5. An emphasis of matter paragraph required by paragraph 800.19 is a more appropriate alert of the fact that the financial statements presented are not GAAP because, in accordance with the requirements of AU-C 706, it addresses information presented in the financial statements. Moreover, because it explicitly draws attention to the related note disclosure of the applicable financial reporting framework, it better provides the information needed for the user to assess the degree assurance to be provided from the financial statements presented. Such information is significantly more helpful than the misplaced or misleading assurance described above.</p> <p>2.6. Given the auditor's requirements in AU-C 500, et al, to obtain sufficient, appropriate evidence to support the auditor's opinion, the opinion required by paragraph 800.21 unnecessarily requires performance and documentation of additional procedures on a financial reporting framework that is not being presented.</p> <p>Please consider the following: -- Deleting any text from paragraph 800.21 relating to the additional opinion such that it only provides that the other matters paragraph required by paragraph 800.20 is not required for general use financial statements.</p>	
Par. 19	Montana Dept. of	<p>Please consider the following: -- Deleting the "except for...." clause in paragraph 800.19</p>	

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	Administration		
Eliminate the dual opinion Par. 21	Washington State Auditor	<p>In our constitutional role as the auditor of public accounts for the state of Washington, our Office annually performs or reviews over 800 financial audits of the State, its agencies, and all types of local governments, along with their component units. Approximately half of these audits are conducted under AU-C section 800 on financial statements prepared in accordance with a regulatory basis of accounting. Our Office also regularly performs several audits of single financial statements or elements under AU-C section 805. We do not currently perform any audits of summary financial statements under AU-C section 810.</p> <p><i>Objection to requirement for “dual opinion” in AU-C section 800</i></p> <p>Washington is one of a number of state audit organizations that audit regulatory basis financial statements of smaller local governments (which are essentially a cash basis presentation, but not in a GASB Statement 34 format). We have long been concerned the inclusion of an adverse GAAP opinion did not achieve the intended purpose of a clearer, more meaningful report for financial statement users. On the contrary, our experience has been that the requirement creates confusion for management, legislative bodies, citizens and other report users. Therefore, we strongly urge the Board to converge with the International Standards on Auditing by eliminating the requirement for a “dual opinion” in extant paragraph 21.</p> <p>To require inclusion of an adverse GAAP opinion in the auditor’s report is not only unnecessary, but is also inappropriate and potentially harmful for the following reasons:</p> <ol style="list-style-type: none"> 1. The fact that regulatory basis statements are not GAAP is already abundantly evident to a reasonable and foreseeable user (e.g. a bond rating agency), since it is specifically required to be clearly and obviously communicated to users by the following means: <ul style="list-style-type: none"> • Opinion language in the auditor’s report (required by extant paragraph 18 and 22). • Language regarding management’s responsibility in the auditor’s report (required by extant paragraph 22). • Emphasis of matter paragraph in the auditor’s report (required by extant paragraph 19, if not for the dual opinion requirement), which will be further clarified to state that the special purpose framework is a basis of accounting other than GAAP in proposed paragraph 22.k. 	The proposed change would be predicated on the inclusion of compliance frameworks in the AU-Cs.

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Comments Relevant to AU-C Section 800, <i>Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks</i>			
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		<ul style="list-style-type: none"> • Financial statement titles (required by extant paragraph 15). • Note 1 to the financial statements, which must adequately describe the basis of accounting and enumerate the differences from GAAP (required by extant paragraph 15). <ol style="list-style-type: none"> 2. In our experience presenting these reports to hundreds of government officials and other parties in Washington, we have found users to be confused by the inclusion of the adverse GAAP opinion because they understand it to mean the financial statements contain errors. 3. It is illogical and inappropriate for an auditor to give a GAAP opinion when the statements were <u>not</u> prepared on that basis, management did <u>not</u> have a responsibility to prepare them on that basis, and the auditor was <u>not</u> engaged to give such an opinion. 4. Such a requirement would seem to be in conflict with the requirement of paragraph 17 to evaluate whether the financial statements achieve fair presentation in accordance with an applicable reporting framework. If the financial statements achieve fair presentation, it would seem inconsistent to also report an adverse opinion. <p>We are curious as to the research or rationale used by the Board to conclude that a dual opinion is a necessary or effective means of communicating that financial statements were fairly presented in accordance with a special purpose framework, rather than in accordance with GAAP. We are further curious as to why a regulatory basis financial statement that is intended for general use would require an adverse GAAP opinion, whereas a cash or modified cash basis, tax basis, contractual basis, or other basis that is similarly intended for general use would not.</p>	
Minimum Requirements for Auditor's Report on SP Financial Statements that Requires Special Layout			
Add a footnote re dual opinion when f/s are for general use Par. 22c(ii)	NSAA Tenn.	1. We suggest adding a footnote to AU-C Section 800.22c(ii) that addresses the auditor's requirement to include an additional opinion (in addition to the special purpose framework opinion) (i.e., dual opinion) when the financial statements, including notes, are for a general use and materially depart from GAAP. Illustration 4 demonstrates this required reporting (i.e., the financial statements together with the auditor's report are intended for general use).	The conditions identified in par. 21 under which a dual opinion is required are the f/s (1) are prepared on a regulatory basis and (2) are for general use. (Not that the f/s

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			materially depart from GAAP.)
	E&Y	<p>5) AU-C 800, paragraph 22.c.ii, as proposed, states the following: <i>“contains an expression of opinion on the special purpose financial statements and a reference to the special purpose framework used to prepare the financial statements”</i></p> <p>We observe that this content was moved from extant AU-C 800.22.h. However, the extant guidance also states “and, if applicable, an opinion on whether the special purpose financial statements are presented fairly, in all material respects, in accordance with GAAP when required by paragraph .21.” We believe this additional requirement should be retained and presented as new AU-C 800.22.c.iii.</p>	Consider making this change.
Use of the Phrase “Is Not Inconsistent With”			
Use of the phrase “that is not inconsistent with” Par. 22g	E&Y	<p>6) AU-C 800, paragraph 22.g. includes the following proposed revision: <i>“A description of management’s responsibilities for the preparation and fair presentation of the special purpose financial statements that addresses, and is not inconsistent with, the requirements in paragraphs .31-.33 of section 700”</i></p> <p>We believe the ASB’s decision to say “...and is not inconsistent with,” rather than “...and is consistent with” may cause confusion. If the ASB’s intent is to convey something less than the positive construction, that point should be clarified in the application guidance. Otherwise, we suggest replacing the highlighted phrase with the words “and is consistent with.” If the ASB agrees that further clarification is needed, similar changes would need to be made elsewhere in the proposed standard.</p>	The phrase “is not inconsistent with” is not used in ISA 800 or SAS No.134 in this context.
	NASBA	<p>Paragraph 22 of Section 800 includes the requirement for the auditor’s report to refer to GAAS only if the auditor’s report includes certain elements. One of the elements labeled “g.” requires a description of management’s responsibilities for the preparation and fair presentation of the special purpose financial statements that addresses, and <u>is not inconsistent</u> with, the requirements in paragraphs .31-.33 of Section 700. The use of a double negative is confusing. Does that mean the description of management’s responsibilities <u>is consistent</u> with the requirements in paragraphs .31-.33 of Section 700? If so, it would be clearer to state as a positive.</p>	
Edit Par. 22(i)	Washington State Auditor	We suggest the following edits to revised paragraph 22(i):	Make this change.

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Comments Relevant to AU-C Section 800, <i>Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks</i>			
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		.22 If the auditor is required by law or regulation to use a specific layout, form or wording of the auditor’s report, the auditor’s report should refer to GAAS only if the auditor’s report includes, at a minimum, each of the following elements: ... i. A reference to GAAS and, if applicable, a reference to the law or regulation and a description of the auditor’s responsibilities for an audit of financial statements that addresses, and is not inconsistent with, the requirements in paragraphs .35-.37 of section 700	
Edit Par. 22(k)	Washington State Auditor	We also suggest the following edits to revised paragraph 22(k): k. <u>When required by paragraph .19</u> , an emphasis-of-matter paragraph that indicates that the financial statements are prepared in accordance with a special purpose framework when required by paragraph .19 and states that the special purpose framework is a basis of accounting other than GAAP.	Make this change.
Regulatory Basis Financial Statements Intended for General Use: How Adverse Opinion on GAAP Affects Opinion on Supplementary Information			
Effect of adverse opinion on regulatory basis f/s intended for general use on auditor’s opinion on supplementary information	Washington State Auditor	AU-C section 725 Paragraph 11 precludes the auditor from expressing an opinion on supplementary information when the auditor’s report contains an adverse opinion on the audited financial statements. If the Board retains the requirement to issue an adverse GAAP opinion on regulatory financial statements intended for general use, we suggest adding a paragraph to the application material that clarifies the adverse GAAP opinion does not preclude the auditor from expressing an opinion on the supplementary information. Note from Dan Montgomery: For ASB discussion: <ul style="list-style-type: none"> • Because this has been in existence in practice for many years, it would be interesting to know how the issue has been handled in practice, i.e., if the auditor is engaged to report on supplementary information in this circumstance, what is being done in practice today? • I read into the State Auditor comment that they are looking to confirm that it’s OK to issue an opinion on the SI. My initial reaction is that it would be OK to do so. The adverse opinion to GAAP is there only to make it clear to users that the FS are prepared on a basis other than GAAP, and therefore are not fairly presented in accordance with GAAP. The focus of the users should be on the other opinion, i.e., that the FS are fairly presented in accordance with the regulatory basis. We reversed 	Paragraph .11 of AU-C 725 has co-existed for many years with paragraph .21 of extant AU-C 800 (i.e., the requirement for an adverse opinion to GAAP when regulatory basis financial statements are intended for general use). Because the dual opinion is being retained, we do not believe there is a need to add application material

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		the order of the two opinions in the revisions to 800 to put the clean opinion on regulatory basis first for that reason. Since any SI would presumably be based on the regulatory basis FS, it would seem appropriate to be able to issue an unmodified opinion on the SI in accordance with paragraph .09e of AU-C 725.	but wish to confirm this with the ASB.
Add Reference to AU-C 703, <i>Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA</i>			
Add a reference to AU-C 703 in going-concern footnotes Par..A17	NSAA	1. The amendments to AU-C Sections 800 and 805 should contain references to paragraphs 71b and 75e of Section 703 in the footnotes to the application guidance related to going concern in addition to the proposed references to Section 700 (that is, footnotes 19 and 20 to AU-C 800.A17 at page 22, and footnotes 11 and 12 to AU-C 805.A21 at page 45).	
Auditor’s Responsibilities re Going Concern in Audits of All SP Financial Statements			
Going concern and financial statements prepared on cash or tax basis A17	NASBA	<p><i>Going Concern and Financial Statements Prepared on the Cash or Tax Basis of Accounting</i></p> <p>On page 22 of the Exposure Draft, carryover paragraph A17 states that the cash or tax basis of accounting do not specify any alternative basis of accounting to be considered, and thus do not require management to assess whether the going concern basis of accounting is appropriate. The statement is correct.</p> <p>The carryover paragraph strikes the extant references to the requirements of Section 570. The substituted language includes: “Depending on the applicable framework used in the preparation of the special purpose financial statements, the description in the auditor’s report of management’s responsibilities relating to going concern may need to be adapted as necessary” and “The description in the auditor’s report of the auditor’s responsibilities may also need to be adapted depending on how Section 570 applies in the circumstances of the engagement.”</p> <p>We recognize that an introductory paragraph 14 has been included in the Exposure Draft stating that Section 570, <i>The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern</i>, applies to audits of special purpose financial statements. However, we are concerned that using the words “depending on” in paragraph A17 may not establish an absolute need for the auditor to consider going concern during an audit of special purpose financial statements.</p>	<p>Par. 14 recites the auditor’s responsibilities for going concern in all audits [(1) to conclude whether substantial doubt exists, and (2) if it exists, to evaluate the adequacy of the disclosures].</p> <p>If going concern is relevant to the SPF, the auditor is also required (3) to determine the appropriateness of use of the going concern basis of accounting.</p>

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		We recommend including a clear statement in A17 that Section 570 applies to audits of special purpose financial statements including those prepared on the cash or tax basis of accounting.	So, all of the requirements in AU-C 570 do not always apply depending on the relevance of going concern to the SPF.
Auditor should not have to evaluate entity's ability to continue as going concern if basis of accounting doesn't require management to do so.	E&Y	Incorporating the concept of a compliance framework would also eliminate unnecessary audit procedures for evaluating an entity's compliance with a reporting framework that is not intended to achieve "fair presentation" and simplify the auditor's reporting requirements. Also, requiring the auditor to evaluate an entity's ability to continue as a going concern in accordance with AU-C 570 whenever the auditor is engaged to audit a complete set of financial statements, regardless of the special-purpose framework used by management to prepare the entity's financial statements, seems impractical and unnecessary, especially when the financial statements are not intended to be for general use.	
Use of Terms <i>Disclosures and Notes</i>			
Disclosures vs. notes Par. A24	Michigan Auditor General	We noticed the introduction of the term "disclosures" and the removal of "notes" in various sections of the ED. We consider these amendments appropriate as the ED considers a complete financial presentation to include related notes to the financial statements. We appreciate the Board's use of the term "notes" in the illustrative independent auditor's reports as it is consistent with current practice and the usage set forth in SAS No. 134. We would not consider use of the term "disclosures" in that specific context as appropriate since "disclosures" may be inferred by a third party to include required supplementary information, supplemental information, or other information in a governmental financial presentation.	
Annual Reports			
<i>Annual Reports</i> Par. A21	NASBA	<i>Annual Reports</i> In paragraph A21 of Section 800 under the caption <i>Other Information</i> , the Exposure Draft states: "When the auditor determines that the entity plans to issue an annual report, the requirements in Section 720 apply to the special purpose financial statements." Section 720 is broader than the conditions of the sentence and addresses situations where the annual report is issued both before and after the report issuance date. The last sentence of proposed paragraph could be revised to include the phrase "or has issued an annual report without the prior knowledge of the auditor."	

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		<p>Per Mike Glynn: I would delete the whole paragraph because, of course, AU-C section 720 applies. We don't list out all of the other sections stating that they also apply. However, if you do need it, I would tweak the first sentence below so that it reads exactly the same as the corresponding sentence in AU-C section 720. Then, I would delete the next 2 sentences as it attempts to paraphrase the definition of <i>annual report</i> from AU-C section 720. If you want, you can hang a footnote off the term <i>annual report</i> in the first sentence and refer the reader to AU-C section 720 for the definition. Then, see my tweak in the last sentence.</p> <p><u>A21 Section 720 addresses the auditor's responsibilities relating to other information, whether financial or nonfinancial information (other than financial statements and the auditor's report thereon), included in an entity's annual report. In the context of this section, an annual report is a document or combination of documents, the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial statements. The term <i>similar stakeholders</i> includes specific users whose financial information needs are met by the special purpose framework used to prepare the special purpose financial statements. When the auditor determines that the entity has issued or plans to issue an annual report, the requirements in section 720 apply to the audit of the special purpose financial statements.</u></p>	
Appendix B: "Fair Presentation and Adequate Disclosures"			
Appendix B "Fair Presentation and Adequate Disclosures"	Edit E&Y	9) AU-C 800.A39 Appendix B — Fair Presentation and Adequate Disclosures: In footnote 1, we suggest deleting "(GAAP)" since the acronym is defined earlier in the standard.	Refer to AICPA Editorial
	Edit NSAA	4. Appendix B (paragraph A28) references paragraph .17a with the related requirements. This paragraph also includes the requirements of paragraph .17b. It would seem appropriate to change this reference to paragraph .17 since it covers the requirements of both paragraphs .17a and .17b. In addition, this would be consistent with the reference used in AU-C Section 800.A27.	Incorporate this change.
	Texas Society	In Appendix B, Section 700 – pages 22-25, the committee thinks that further clarification is needed with regard to the definition of extraordinary items. There are currently conflicting	

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		ASBs that require extraordinary items to be eliminated while also requiring disclosures of extraordinary items. How can auditors of financial statements accomplish eliminating and disclosing of extraordinary items at the same time? For example: how do you have a net of tax expense item disclosure if the “net of tax expense” item has been removed? Also, there are incorrect acronyms regarding disclosure at the top of page 25.	
Par. A40 Exhibit: Illustrative Reports			
Use of the terms <i>notes vs. disclosures</i> Par. A40	NSAA	2. The opinion section of almost all illustrative reports included in AU-C Sections 800, 805, and 810 indicates that the statements and related notes have been audited. If the standards are being amended to change “financial statements and related notes” to “financial statements and related disclosures,” the ASB should consider revising the opinion section in the illustrative reports to reflect this.	Use of the term <i>notes</i> in the illustrative reports conforms with SAS No. 134
Management’s responsibility re going concern	FICPA	We found the proposed changes to the auditing standard created an unintended appearance that management has minimal responsibility to communicate or evaluate substantial doubt about the entity’s ability to continue as a going concern when the financial statement(s) utilize a special purpose framework. The illustrations include the description of management’s responsibility related to going concern as a footnote and not the expectation for the auditor’s reports on a special purpose framework. We feel that all audit reports should make it clear that this responsibility is management’s and may not be applicable.	If the going concern basis of accounting is not relevant to the SPF, the auditor’s report would not state that management is responsible for making a going concern assessment. The AU-Cs cannot require management to make such an assessment.
Illustration 3	Edit Hunter College	In the Independent Auditor’s Report exhibit (page 32), remove the extraneous apostrophe in the following sentence. “In performing an audit in accordance with GAAS, we:”	Make this change.
Illustration 3	Grant	If the Board accepts our proposed edits to proposed paragraph .19 that are described in the body of our letter, the emphasis-of-matter paragraph illustrated in this report will need to be revised to include the following sentence.	

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Comments Relevant to AU-C Section 800, <i>Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks</i>			
Paragraph No./ Topic	Commenter	Comment	Response to Comment
Regulatory basis (not intended for general use)		<i>As a result, the financial statements may not be suitable for another purpose.</i>	
Illustrations 3, 4, and 5 Provide an example of a report with a description of management’s responsibilities related to going concern when the going concern basis is applicable to the SPF	E&Y	10) AU-C 800.A40 Exhibit — Illustrations of Auditor’s Reports on Special Purpose Financial Statements — Illustrations 3, 4 and 5: In the “Responsibilities of Management for the Financial Statements” section, in addition to the footnote reference already included, we believe it would be helpful to auditors if the ASB also provided an example of a description of management’s responsibilities relating to going concern when applicable. For example, leveraging the illustrative reports included in the recently revised AU-C 700, the ASB could include the following example: “In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for [insert the time period set by the applicable financial reporting framework].”	
Edit: Illustration 4 Delete the words “and position”	E&Y	11) AU-C 800.A40 Exhibit — Illustrations of Auditor’s Reports on Special Purpose Financial Statements — Illustration 4: We recommend the following revision to the “Adverse Opinion on U.S. Generally Accepted Accounting Principles” section of the illustrative report: “In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of ABC Government Authority as of December 31, 20X1, or the changes in net position and position and cash flows thereof for the year then ended.”	Make this change
	Tenn. NSAA	Furthermore, for Illustration 4 (page 34 of 70), “and position” should be omitted from the last sentence of the “Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph. It appears to have been duplicated.	

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Paragraph No./ Topic	Commenter	Comment	Response to Comment
<p>Edit Illustration 5 Omitted purpose for which the f/s have been prepared.</p>	Grant	<p>The “Emphasis of Matter – Basis of Accounting” paragraph appears to be missing the purpose for which the financial statements have been prepared, which is required by proposed paragraph .18a. Therefore, we propose revising that paragraph as follows.</p> <p>We draw attention to Note X of the financial statements, which describes the basis of accounting. The financial statements are prepared by ABC Company on the basis of the financial reporting provisions of Section Z of the contract, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified with respect to this matter.</p>	Correct this if the requirement is retained.

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AU-C Section 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*

Comments Relevant to AU-C Section 805, <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
Not certain why changes were needed	Texas Society	The committee thinks that there is nothing objectionable to Section 805. This is a rarely used section with a narrow application. This section is more about an agreed upon procedure or a specific requests audit. Without sufficient background information, the committee does not understand what precipitated this change in the standard.	Changes were made to conform with SAS 134.
Auditor Should Not be Required to Assess Going Concern When Reporting on a Specified Element			
Requirement to conclude on going concern seems unreasonable Par. .A8	Kentucky	<p>Paragraph .A8 of the proposed amendment to AU-C 805 on page 42 of 70 acknowledges certain AU-C sections require audit work that may be disproportionate to the specific element being audited and seems to suggest the auditor should instead perform the engagement as an agreed-upon procedure under the Statements on Standards for Attestation Engagements. While this may be more practical, we are concerned that our clients may have contractual requirements to obtain audit opinions on specified elements such as accounts receivable or royalties, in accordance with GAAP. Such contracts may or may not contemplate the implications of an audit opinion versus a report on agreed-upon procedures. The point is these contracts exist and the requirement to conclude on going-concern in an audit report on a specified element seems too far from the engagement objective to be reasonable. For example, an auditor may be engaged to audit a schedule of accounts receivable or a schedule of royalties. This auditor may be engaged by someone other than the entity upon whose accounts are being audited. It is not reasonable to assume the auditee would just turn over their entire financial statements, which may or may not have been audited by another auditor. Without such information, and perhaps substantial audit work, it would be inappropriate to draw a conclusion regarding going-concern.</p> <p>In other words, the auditor of the specified element may not have audited the full financial statements of the auditee or otherwise have any other relationship besides auditing the specified element. Accordingly, assessing going concern is simply not relevant in these circumstances.</p>	Par. 12 states in part, "In planning and performing the audit of a single financial statement or a specific element of a financial statement, the auditor should adapt all AU-C sections relevant to the audit as necessary in the circumstances of the engagement."
Nature of Opinion in Report on Single Financial Statement or Element When Engagement is Performed Under Attestation Standards			
Par. .A8	E&Y	13) AU-C 805.A8 of the exposure document includes the following proposed revision:	

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Comments Relevant to AU-C Section 805, <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
		<p>“If the auditor concludes that an audit of a single financial statement or a specific element of a financial statement in accordance with GAAS may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable, <i>such as an engagement performed in accordance with the Statements on Standards for Attestation Engagements</i> as described in paragraph .A4 A3”</p> <p>Paragraph AU-C 805.A4 describes agreed-upon procedures and review engagements performed under the attestation standards as more practicable alternatives to audit engagements performed under this auditing standard. We believe the application guidance should clarify that it would not be appropriate to accept an engagement to review or examine the same subject matter (e.g., a single financial statement prepared in accordance with US GAAP) under the attestation standards, since those engagements are subject to auditing standards. Paragraph 3 of AT-C section 105, <i>Concepts Common to All Attestation Engagements</i>, states that “this section is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with (Ref: par. .A2 — .A3)</p> <p>a. Statements on Auditing Standards b. Statements on Standards for Accounting and Review Services, or c. Statements on Standards for Tax Services”</p> <p>We are concerned that, without this clarification, the guidance could be interpreted to permit the practitioner to issue an opinion or conclusion under the attestation standards that a single financial statement or a specific element thereof is in accordance with an applicable financial reporting framework.</p>	
Use of the Terms Notes and Disclosures			
Par. A11 Use of the terms notes and disclosures	NSAA	1. The reference to “notes” is changed to “disclosures” throughout the amended sections. AUC Section 805.A11 has one reference to “notes” changed. However, it contains two other references to “notes.” These references should be changed to “disclosures” for consistency.	
Edit Par. .A13	Texas Society	On page 43 there is a typographical error: paragraph .A13: “error – reference source not found” should be removed.	

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Comments Relevant to AU-C Section 805, <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
Add Reference to AU-C 703, <i>Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA, in Going-Concern Footnotes</i>			
Add reference to AU-C 703 in going-concern footnotes Par..A21 AU-C 703	NSAA	1. The amendments to AU-C Sections 800 and 805 should contain references to paragraphs 71b and 75e of Section 703 in the footnotes to the application guidance related to going concern in addition to the proposed references to Section 700 (that is, footnotes 19 and 20 to AU-C 800.A17 at page 22, and footnotes 11 and 12 to AU-C 805.A21 at page 45).	
Adapting the Description in the Auditor’s Report of Management and the Auditor’s Responsibility for Assessing Going Concern			
Supports going concern approach in AU-C 805 A21	RSM	<p>We agree with the addition of paragraph .A21, which indicates that the applicable financial reporting framework may not have a requirement for management to assess going concern for a single financial statement or element (or going concern may not be relevant at all to the framework). We also agree that, in those circumstances, the required statements in the auditor’s report regarding management’s and the auditor’s responsibility for going concern would need to be adapted as necessary (or omitted if not relevant). We suggest consideration be given to providing examples as to how such required statements in the auditor’s report would need to be adapted.</p> <p>We appreciate the addition of examples of factors that may be relevant in considering whether a matter included in the auditor’s report on a complete set of financial statements is relevant in the context of an engagement to report on a single financial statement or a specific element, account or item of a financial statement.</p>	

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Comments Relevant to AU-C Section 805, <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
	Grant	<p>Going concern considerations</p> <p>We are supportive of the Board’s proposed approach with respect to the auditor’s responsibilities related to the entity’s ability to continue as a going concern when conducting an audit in accordance with AU-C section 805, <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>. We believe that the circumstances of the engagement will require the auditor to use judgment in determining the applicability of his/her responsibilities under AU-C section 570, <i>The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern</i>. We found the application guidance in proposed paragraph .A21 of AU-C section 805 to be helpful in assisting auditors in applying professional judgment in these types of engagements.</p> <p>As discussed in the body of our letter, we are supportive of this paragraph and believe it will be helpful to auditors</p>	
	TIC	As it relates to the proposed amendments to AU-C section 805, TIC appreciates the additional considerations added by this ED related to going concern and likes that the ED leaves much of this to practitioner judgment as it is, at times, difficult to determine whether the going concern assumptions are relevant based on the elements of the financial statements that are included in that engagement.	
Clarify when reporting on going concern is irrelevant or inappropriate Par. A21	Kentucky	Proposed paragraph .A21 of AU-C 805 acknowledges going-concern may not be relevant for some special purpose financial statements. We believe the going-concern requirements, if not totally scoped out, should also be clarified and acknowledged as posing circumstances when reporting on going-concern is irrelevant or inappropriate	
Documentation re going concern Par. A21	TIC	<p>TIC does have concerns about potential implications once this standard is effective related to audit documentation and any implicit or explicit additional documentation requirements that may arise once this standard is final.</p> <p>For example, if an auditor determined that for a particular engagement related to a specified element that there were no additional audit procedures required related to going concern, would they be required to document that fact in the audit work papers? TIC believes that additional clarification might be helpful in the standard related to required documentation to</p>	

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Comments Relevant to AU-C Section 805, <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
		<p>ensure the addition of these going concern considerations does not impose additional unintended documentation requirements in practice.</p> <p>TIC would also ask that ASB work with the peer review team once this standard is finalized to provide clarification on the documentation requirements related to going concern and audits of single financial statements, specified elements, account, or items of a financial statements in particular, as TIC believes this could be an area where there could be diversity in practice that could lead to matters for further consideration on peer reviews.</p> <p>TIC has noted practice issues in the past when performing peer reviews where new standards have resulted in additional items being added to the peer review checklists that could include an implicit or explicit documentation requirement that may not always tie back to documentation requirements of the standard.</p>	
Effect on Opinion on Element of Adverse or Disclaimer of Opinion on Complete Set of F/S			
Adverse or disclaimer of opinion on complete set of f/s Par. 21	Tenn.	For AU-C 805 ¶ 21, we completely agree with the explicit guidance related to piecemeal opinions (i.e., “an unmodified opinion on a specific element in the same auditor’s report would contradict the adverse opinion or disclaimer of opinion on the entity’s complete set of financial statements as a whole and would be tantamount to expressing a piecemeal opinion.”)	
Exhibit Illustrative Reports Par. A34			
Provide an illustrative report for a situation in which AU-C 570 is not applicable to the audit	NASBA	We found it confusing as to whether Section 570 applies when reporting on a specific element, account or item of a financial statement prepared in accordance with a special purpose framework. Including the Section 570 disclosure in each illustrative report in Section 805 suggests it applies in most every situation. An illustration of when Section 570 disclosure is not relevant would be helpful.	
Edit Edit to header of Illustration 1 Insert <i>the</i>	Washington State NSAA	Finally, we noted that the header of Illustration 1 is not consistent with the other illustrative reports in this proposed SAS and SAS 134 (“Report on the Audit of Financial Statements” compared with “Report on the Audit of <u>the</u> Financial Statements”).	
Edit Illustrations 1 and 2	E&Y	14) AU-C 805.A34 Exhibit — Illustrations of Auditor’s Reports on a Single Financial Statement and a Specific Element of a Financial Statement — Illustrations 1 and 2:	Make this change.

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Paragraph No./ Topic	Commenter	Comment	Response to comment
Change <i>statements to statement</i> .		Because these examples illustrate an auditor’s report on a single financial statement, the word “statements” appearing in the penultimate point under the “Auditor’s Responsibilities for the Audit of the Financial Statement” section of the report should be singular (i.e., it should read “statement”).	
Illustration 3 Identify the assumption management made about whether a going concern assessment was applicable to the preparation of the A/R schedule.	E&Y	<p>15) AU-C 805.A34 Exhibit — Illustrations of Auditor’s Reports on a Single Financial Statement and a Specific Element of a Financial Statement — Illustration 3:</p> <p>Footnote 4 to the <i>Responsibilities of Management for the Schedule</i> section of the report states that “the description of management’s responsibilities to going concern required by paragraph .32b of AU-C section 700 may not be relevant or may need to be included in this section of the report, adapted as necessary. See paragraph .A21 of this section.”</p> <p>This example assumes that the reporting entity also prepared a full set of the financial statements in accordance with accounting principles generally accepted in the United States (GAAP), which requires reporting entities to assess their ability to continue as a going concern. It’s not clear why management wouldn’t be required to describe its responsibility to assess the entity’s ability to continue as a going concern under the circumstances described in the example.</p> <p>We understand that judgment is required, but we think it would be helpful if the ASB provided an assumption in the example. For example, the example could include an assumption that management determined that the going concern assessment in GAAP does not apply to the preparation of a specific element, account or item of a financial statement. The example could further explain that although a going concern assessment was made in the preparation of the full set financial statements from which the financial information being reported has been derived, the going concern assessment period is significantly different because the schedule is anticipated to be issued several months after the full set financial statements were issued.</p> <p>Including any previous conclusions about the entity’s ability continue as a going concern without further analysis would not be appropriate.</p>	
Illustration 3 Provide an illustrative report in which the opinion on the	NSAA	1. Illustration 3 (pages 52-54) – The illustration shows an Auditor’s Report in which the opinion on the complete set of financial statements was not modified and did not include an emphasis-of-matter paragraph or other-matter paragraph. It would be helpful to include an	Illustration 2 of the Exhibit (par. .A24) contains an example of a qualified opinion on

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Paragraph No./ Topic	Commenter	Comment	Response to comment
complete set of f/s was modified		illustration for a situation in which the opinion on the complete set of financial statements was modified, or there were additional paragraphs that needed to be considered.	the audited f/s and an unmodified opinion on the summary f/s
Edit Illustration 4 Change <i>financial statement</i> to <i>schedule</i> .	E&Y	16) AU-C 805.A34 Exhibit — Illustrations of Auditor's Reports on a Single Financial Statement and a Specific Element of a Financial Statement — Illustration 4: Because this example assumes an audit of a schedule of royalties, we believe the words “financial statements” in the <i>Emphasis of Matter— Basis of Accounting</i> paragraph and the words “financial statement” at the end of the first paragraph in the <i>Auditor’s Responsibilities for the Audit of the Schedule</i> section of the report should be replaced with “schedule.”	Make this change.
Edit Illustration 5 Change <i>financial statements</i> to <i>historical summaries</i>	E&Y	17) AU-C 805.A34 Exhibit — Illustrations of Auditor’s Reports on a Single Financial Statement and a Specific Element of a Financial Statement — Illustration 5: Because this example assumes an audit of historical summaries of gross income and direct operating expenses, we believe the section titled <i>Auditor’s Responsibilities for the Audit of the Financial Statement</i> should read <i>Auditor’s Responsibilities for the Audit of the Historical Summaries</i> . Making this change would also better align the description of the auditor’s responsibilities with how the subject matter (i.e., the historical summaries) is described elsewhere in the illustrative report	Make this change.

AU-C Section 810, *Engagements to Report on Summary Financial Statements*

Comments Relevant to AU-C Section 810, <i>Engagements to Report on Summary Financial Statements</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
Deletion of Requirement to Describe in the Auditor’s Report the Procedures Performed on the Summary F/S			
Elimination of description of procedures performed	Agrees with the elimination of the	Amendments to AU-C Section 810, <i>Engagements to Report on Summary Financial Statements</i>	

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Comments Relevant to AU-C Section 810, <i>Engagements to Report on Summary Financial Statements</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
Extant par. 15e (New par. 15j)	description of procedures RSM	We agree with the proposed amendment to paragraph .15e that deletes the description of procedures performed by the auditor from the paragraph in the auditor's report describing the auditor's responsibilities.	
	Disagrees with the elimination of the description of procedures E&Y	18) AU-C 810.15.j of the proposed standard represents a significant change from extant guidance that would make the auditor's report less informative if it were finalized as exposed. We believe this result would be contrary to some of the Board's recent standard-setting activities (e.g., SAS 134). For example, replacing as a required element of the auditor's report a statement that "the [auditor's] procedures consisted principally of comparing the summary financial statements with the related information in the audited financial statements from which the summary financial statements have been derived and evaluating whether the summary financial statements are prepared in accordance with the applied criteria" with a simple statement that "the auditor is responsible for expressing an opinion based on the auditor's procedures conducted in accordance with GAAS" does not represent an improvement. Although the proposed change would more closely align the AICPA standard with the requirements in ISA 810 (Revised), we recommend retaining the existing reporting requirements. •	
	Grant	Reporting on summary financial statements While it is our experience that engagements performed under AU-C section 810, <i>Engagements to Report on Summary Financial Statements</i> , are rare, we are concerned by the proposed changes with regard to reporting the auditor's responsibilities under an engagement performed in accordance with this section. It is our view that one of the objectives of SAS No. 134 is to enhance transparency through expanded and clearer auditor reporting. Therefore, the proposed elimination of the description of the procedures performed by the auditor appears inconsistent with that underlying objective. Given the fact that such engagements are not often performed, this could lead to a misunderstanding by users as to the nature of the auditor's report on the summary financial statements. As such, we believe it would be in the public interest to be clearer as to the auditor's procedures because potential users may not understand how a report on summary financial statements differs from an auditor's report on a complete set of financial statements. While we recognize these proposed changes would converge with the reporting requirements of ISA 810 (Revised), <i>Engagements to Report on Summary Financial Statements</i> , we believe the existing requirements are more appropriate and provide greater transparency. Therefore, we recommend the Board reinstate	

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Comments Relevant to AU-C Section 810, <i>Engagements to Report on Summary Financial Statements</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
		the extant requirements to describe the procedures performed by the auditor in the auditor's report	
Information to be Included in the Auditor's Report on Summary F/S Concerning KAMs			
Par. 18	E&Y	<p>19) AU-C 810.18 of the proposed standard states the following:</p> <p>"If the auditor's report on the audited financial statements contains a qualified opinion, an emphasis-of-matter paragraph, or an other-matter paragraph, <i>a going concern section, or communication of key audit matters [emphasis added]</i>, and the auditor expresses an unmodified opinion (see paragraph .14) on the summary financial statements, in addition to the elements in paragraph .15 .17, the auditor's report on the summary financial statements should</p> <p style="margin-left: 20px;">a. state that the auditor's report on the audited financial statements contains a qualified opinion, an emphasis-of-matter paragraph, or an other-matter paragraph, <i>a going concern section, or communication of key audit matters [emphasis added]</i> and</p> <p style="margin-left: 20px;">b. describe</p> <p style="margin-left: 40px;">i. the basis for the qualified opinion on the audited financial statements and that qualified opinion or the emphasis-of-matter paragraph or other matter paragraph in the auditor's report on the audited financial statements and ii the effect <i>thereof, if any, on the summary financial statements; if any. or</i></p> <p style="margin-left: 40px;">ii. <i>the matter referred to in the emphasis-of-matter paragraph, other-matter paragraph, or going concern section in the auditor's report" on the audited financial statements and the effects thereof, if any, on the summary financial statements.</i></p> <p>Based on the overall construct of AU-C 810.18, we believe paragraph 18.b.ii should also refer to the communication of key audit matters in the auditor's report, using language like what is mentioned in both the introductory paragraph and 18.a.</p>	<p>No change</p> <p>Par. A15 indicates that the auditor is not required to describe the individual key audit matters in the auditor's report on the summary financial statements</p> <p><u>Per Dan Montgomery:</u> It would be redundant to require a description of KAM in 18b(ii) because the matters are already described in the KAM section in the auditor's report on the audited FS.</p> <p>In the discussions at the IAASB, they concluded that it would not be necessary to repeat the description of KAM in the report on the summary FS because that detail is already available to report users.</p>
Par. 18	Texas Society	After review of Section 810, the committee is of the opinion that summary financial reports are usually the result of a minority interest consolidation. There appeared to be no changes to current instructions in this area. However, the committee had a concern about page 62, paragraph .18. The committee would like to see examples or further explanation of how an auditor can issue a summary financial statement with an unmodified opinion while also modifying the opinion at the detail level? Why, and when, would an auditor do this?	See Illustration 2 of the Exhibit (par. .A24) for an example of an unmodified opinion on the summary f/s and a qualified opinion on the audited f/s.

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Comments Relevant to AU-C Section 810, <i>Engagements to Report on Summary Financial Statements</i>			
Paragraph No./ Topic	Commenter	Comment	Response to comment
		<p>What precipitated this change in the standard? Does this change apply to a single company or to consolidations only? What is the purpose of the summary financial statement if this type of opinion is allowed? The “Summary Financial Statement” paragraph on page 65 would be very confusing to auditors and the public. Please provide examples of when it would be appropriate to use this paragraph</p>	<p>The opinion in the report on the summary f/s is about whether the summary f/s are <u>consistent</u> with the audited financial statements from which they have been derived.</p>
<p>Edit Illustration 4 Change <i>paragraph</i> to <i>section</i>.</p>	E&Y	<p>AU-C 810.A24 Exhibit — Illustrations of Reports on Summary Financial Statements — Illustration 4:</p> <p>The second paragraph in the “Adverse Opinion” section of the illustrative report states the following: “In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph [emphasis added], the summary financial statements of ABC Company as of and for the year ended December 31, 20X1 referred to above are not consistent with the audited financial statements from which they have been derived, on the basis described in Note X.”</p> <p>We recommend replacing the word “paragraph” in the second line of the excerpt above with the words “section of our report.” We observe that in Illustration 3 in the same section of AU-C 810, the second paragraph of the Disclaimer of Opinion section of the illustrative report refers to “The Audited Financial Statements and Report Thereon section of our report,” not “The Audited Financial Statements and Report Thereon paragraph of our report.” While these are not significant discrepancies, we believe it would be helpful to auditors if the ASB used consistent terms to refer to the different sections of the auditor’s report.</p>	<p>Make this change.</p>

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General Comments Relevant to AU-C Sections 800, 805, and 810			
Paragraph No./ Topic	Commenter	Comment	Response to Comment
Supportive	Tenn. Dept of Audit	We generally agree with the board's proposed changes and believe the changes achieve consistency with the auditor reporting changes in SAS 134.	
	D&T	We support the issuance of the proposed SAS in order to incorporate auditor reporting changes from SAS No. 134 as well as SAS No. 136, <i>Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA</i> , and SAS No. 137, <i>The Auditor's Responsibilities Relating to Other Information Included in Annual Reports</i>	
Supportive	RSM	We believe that the changes in the proposed SAS will align AU-C Sections 800, 805 and 810 with the relevant provisions of SAS No. 134, <i>Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements</i> .	
	Michigan OAG	We support the ASB's efforts to align auditor reporting on special purpose frameworks and single financial statements and specific elements, accounts or items of financial statements with the auditor reporting established under SAS No. 134.	
	Virginia Society	We support the ASB's efforts to introduce a new standard that will align the AU-C 800 series with the relevant auditor reporting standards in SAS No. 134. The proposed new standard appears to accomplish that goal and will continue to enhance the transparency of auditor reporting.	
	KPMG	Recognizing the importance of finalizing this Proposed Standard so that the effective date aligns with other reporting standards, we have carefully considered the Proposed Standard, including the text added regarding the applicability of AU-C section 5701 to audits of special purpose financial statements. We are supportive of the Board adopting the Proposed Standard as exposed.	
	E&Y	Overall, we support the proposed conforming amendments to better align the form and content of the auditor's report on the subject matters covered by AU-C sections 800, 805 and 810 with the recently issued guidance in SAS 134.	
	CLA	We agree with the proposed changes to existing standards, including the illustrative reports, and believe the changes are consistent with SAS No. 134.	
	Commonwealth of Virginia		
	Hunter College	Overall, we mainly agree with the exposure draft's content changes for AUC 800, 805, and 810. Please see our specific comments below, which will help to eliminate (i) grammatical errors and (ii) redundant wording, in order to improve readability.	
	NSAA	We agree with the proposed changes to existing standards, including the illustrative reports, and believe the changes are consistent with SAS No. 134. Overall the proposed changes are straight forward and should provide clarity to users.	
	TIC	TIC appreciates the effort of the Auditing Standards Board (ASB) to amend the AU-C section 800 series to align with the relevant provisions of SAS No. 134 and to converge with ISA 800 (Revised).	

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General Comments Relevant to AU-C Sections 800, 805, and 810

Paragraph No./ Topic	Commenter	Comment	Response to Comment
Effective date	D&T	The proposed SAS indicated that if issued it will be effective for audits of financial statements for periods ending on or after December 15, 2020 and that early implementation is not permitted. We believe that this effective date allows sufficient time for auditors to adequately prepare for the implementation of the proposed SAS.	