



Agenda Item 1A (1)

Issues Paper: Conforming Amendments - AU-C sections 725, 730, and 930

This issues paper addresses issues with respect to the proposed revisions to AU-C sections 725, 730, and 930 only. Please see the separate issues papers with respect to the proposed revisions to AU-C sections 935 and 940.

Background

A Task Force was formed to consider proposed revisions to AU-C section 930 for conformity with revised AU-C section 700 and harmonization with the reporting requirements in the Public Company Oversight Board's AS 4105, *Reviews of Interim Financial Information*. The Task Force consists of ASB members Jay Brodish, Alan Long, Aaron Saito and is staffed by Mike Glynn.

At its meeting in October 2019, the ASB vote to expose the proposed revisions to AU-C section 930 and proposed revisions to AU-C sections 725 and 730 for conformity SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports* for public comment. The exposure draft was issued in December 2019 and the comment period ended on February 10, 2020. 14 comment letters were received.

Issues For ASB Consideration

AU-C section 730

In their comment letter on the proposed revisions, Grant Thornton LLP noted that the reporting requirements for the separate section on required supplementary information, unlike the reporting requirements for "other information" and "supplementary information," does not require the inclusion of a statement that management is responsible for the required supplementary information. Grant Thornton raised the concern that a report that includes required supplementary information and either other information or supplementary information or both may confuse or mislead users of the report as the report would include statements that management is responsible for the financial statements, the other information, and the supplementary information but not the required supplementary information. Grant Thornton suggested that the Board consider adding a required statement that the required supplementary information is the responsibility of management.

Action Requested of the ASB

Does the ASB agree with Grant Thornton that paragraphs .08 and .09 and the illustrative reports in paragraph .A3 of AU-C section 730 should be revised to require a statement that management is responsible for the required supplementary information?

AU-C section 930

The ED includes a requirement for a section in the auditor’s review report on interim financial statements entitled “Basis for Review Results.” The Tennessee Department of Audit commented that the section should be entitled “Auditor’s Responsibility.” Such a heading would contrast with the section entitled “Management’s Responsibility for the Interim Financial Information” (proposed to be revised to read “Responsibilities of Management for the Interim Financial Information”). In addition, while they did not suggest any changes because the information is in the Basis for Review Results paragraph, the Michigan Office of the Auditor General stated that they “regretted” the inconsistency with other auditor reporting standards.

A change from the heading “Basis for Review Results” would result in an inconsistency with the reporting requirements in PCAOB AS 4105. However, it should be noted that the PCAOB reporting requirements include management’s responsibility for the interim financial information be included in the “Basis for Review Results” section. The ASB previously directed that management’s responsibilities be in a separate section. Including separate sections for the auditor’s and management’s responsibilities would be consistent with both AU-C section 700 and AR-C section 90.

If the ASB determines that the section should be retitled “Auditor’s Responsibility for the Review of Interim Financial Information,” for consistency with AU-C section 700 and AR-C section 90, such section should be after the section on the responsibilities of management for the interim financial information.

Action Requested of the ASB

Does the ASB continue to support the requirement in the ED for a separate section entitled “Basis for Review Results” or should the section be retitled “Auditor’s Responsibility for the Review of Interim Financial Information” and moved to after the paragraph on responsibilities of management for the interim financial information?

Effective Date

If issued as final, the proposed amendments to AU-C section 930 are proposed to be effective for reviews of interim financial information for interim periods of fiscal years beginning on or after December 15, 2020. Early implementation is not permitted.

The implementation date is consistent with the effective date of SAS 134. In their comment letter, the Florida Institute of CPAs’ stated that it believes additional time might be considered to allow smaller practitioners to get adequately prepared for implementation.

Action Requested of the ASB

Does the ASB continue to support the proposed effective date consistent with the effective date of SAS 134?