



Audit and attest standards update

The Auditing Standards Board (ASB) met on October 19-22, 2020 by videoconference.

The Board voted to issue as an exposure draft proposed Statement on Auditing Standards (SAS) *Amendments to AU-C sections 501, 540 and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained From External Information Sources*. The proposed SAS would amend AU-C section 540, *Auditing Accounting Estimates*, by adding a new appendix, *Use of Pricing Information From Third Parties as Audit Evidence*, that provides guidance on the use of pricing information obtained from external information sources to be used as audit evidence for estimates related to the fair value of financial instruments. Amendments to various application paragraphs in AU-C 501, *Audit Evidence — Specific Considerations for Selected Items*, are proposed to provide guidance on applying AU-C section 540 when management has used the work of a specialist in making accounting estimates as well as other proposed amendments to enhance guidance about evaluating the work of a management's specialist. Amendments to various application paragraphs in AU-C section 620, *Using the Work of an Auditor's Specialist*, are proposed to enhance the guidance related to using the work of an auditor's specialist.

The Board also approved issuance of a final standard, Statement on Standards for Attestation Engagements (SSAE) No. 22, *Review Engagements*. The SSAE includes revisions primarily for consistency with revisions to AT-C section 205, *Examination Engagements*, included in SSAE No. 21, *Direct Examination Engagements*, and to permit the expression of an adverse conclusion in a review attestation engagement. Statement on Standards for Accounting and Review Services No. 25, *Materiality in a Review of Financial Statements and Adverse Conclusions*, which was issued in February 2020 by the Accounting and Review Services Committee, revised AR-C section 90 to, among other things, permit the expression of an adverse conclusion in a review of financial statements. The SSAE also provides guidance about the types of procedures a practitioner may perform in a review engagement and requires that the practitioner's review report include a description of the work performed as a basis for the practitioner's conclusion.

The Board considered proposed revisions to AU-C section 210, *Terms of Engagement*, to enhance the requirements regarding communication between predecessor and successor auditors, specifically with regard to the communication of actual or suspected instances of an entity's noncompliance with laws or regulations (NOCLAR) or fraud if the predecessor auditor withdraws from an engagement, decides not to stand for reappointment, or is terminated. The Board did not vote as scheduled to issue the proposed amendments for exposure to allow for further research and discussion with stakeholders.

The Board discussed drafts of proposed standards intended to convergence with the International Auditing and Assurance Standards Board's (IAASB) recently finalized quality management standards. These standards will be discussed by the ASB at its next meeting on December 2,

2020. The Board also heard an update on the IAASB's project on revising its standard on group audits.