



Agenda Item 1C

Summary of Comment Letters on Exposure Draft of the Proposed SSARS, *Amendment to Statement on Standards for Accounting and Review Services No. 21 Section 90, Review of Financial Statements*

| Comment Letter No. | Commenter |
|---------------------------|---|
| 1 | Florida Institute of CPAs Committee on Accounting Principles and Auditing Standards |
| 2 | RSM US LLP |
| 3 | National Association of State Board of Accountancy |
| 4 | Michigan Association of Certified Public Accountants |
| 5 | BDO USA, LLP |
| 6 | Illinois CPA Society Audit and Assurance Services Committee |

Summary of Comment Letters – Supplementary Information ED
ARSC Meeting, September 9, 2016 – Conference Call

Summary of Comment Letters on Exposure Draft of the Proposed SSARS, *Amendment to Statement on Standards for Accounting and Review Services No. 21 Section 90, Review of Financial Statements*

| COMMENT NO. | Revised or new paragraph in AR-C section 90 | Commenter | Comments | Consideration of Comments | Change Made to Proposed SSARS? |
|-------------|---|-----------|---|---------------------------|--------------------------------|
| 1 | Overall | 3 – NASBA | We agree with the technical correction of AR-C section 90 to clarify the definition of supplementary information and to revise the accountant’s reporting responsibilities when supplementary information accompanies reviewed financial statements and the accountant’s review report thereon. | | NO |
| 2 | | 5 – BDO | We generally agree with the amendments proposed in the Exposure Draft. | | NO |
| 3 | .05 and new paragraphs .A10-.A11 | 1 – FICPA | <p>We are in agreement with the addition to paragraph .05 on the definition of supplementary information as it provides guidance as to the two methods of presentation and is consistent with other amendments in the exposure draft.</p> <p>The addition of paragraphs .A10-.A11 does provide both clarification and guidance in the presentation of supplementary information of benefit to practitioners.</p> | | NO |
| 4 | | 2 - RSM | We are supportive of the proposed revisions to AR-C section 90, <i>Review of Financial Statements</i> , as detailed in the Exposure Draft. We often see situations in which clients present supplementary information separate from the reviewed financial statements. We therefore agree that it is necessary to clarify the definition of supplementary information to include both information presented in a document containing the reviewed | | NO |

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| | | | financial statements and information separate from the reviewed financial statements. | | |
| 5 | | 4 – Michigan | <p>We agree with the proposed amendment’s addition of the language providing guidance that supplementary information may be presented in a document attached to the reviewed financial statements or separate from the reviewed financial statements.</p> <p>Paragraphs .A10 and .A11 The addition of these paragraphs adds guidance and clarifies what supplementary information is and how it is prepared. This will benefit all accountants.</p> | | NO |
| 6 | | 5 - BDO | Paragraph .05, as amended, provides consistency in the definition of ‘supplementary information’ with the definition found in AU-C 725.04. | | NO |
| 7 | .80 and .A128 | 1 - FICPA | The Committee agrees with the deletion of paragraph .A128. Although it provided some practical guidance it was not necessary for purposes of the statement standards. | | NO |
| 8 | | 2 – RSM | We also agree with the proposed revisions to the accountant’s reporting responsibilities when supplementary information accompanies reviewed financial statements and the accountant’s review report thereon. Such revisions more clearly articulate the responsibilities of both management and the accountant as they relate to the supplementary information. | | NO |
| 9 | | 4 – Michigan | Although we do not disagree with the deletion of this paragraph we do not necessarily believe it was necessary. If only the | | NO |

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| | | | references to “a compilation” were eliminated, the remaining verbiage informs accountants that they have the option to subject supplemental information to the review procedures applied in the review of the basic financial statements. We believe that this would be appropriate guidance to practitioners. | | |
| 10 | .81-.82 and .A129-.A131 | 1 – FICPA | <p>The changes made to paragraph .81 places additional emphasis on the supplementary information being separate from the basic financial statements which would appear to be the intent of the authors of the original SSARS. The change from <i>representation</i> to <i>responsibility</i> of management in section b. is consistent with the report on the basic financial statements and the addition of a description as to where the supplementary information was derived is in accordance with similar assertions in the standards. The Committee is in agreement with the changes made thereof.</p> <p>Changes made to paragraph .82 are consistent with changes made to .81.</p> <p>The changes and additions made to .A129-.A132 are consistent in the reporting format intended in this exposure draft of which we agree upon.</p> <p>The Committee has one recommendation in paragraph .A132. We believe the wording in the paragraph should be changed as follows ...”the accountant <i>should</i> (and not <i>may</i>) consider including a reference to the accountant’s review report on each</p> | <p>Extant paragraph .A131 (revised to .A132) is consistent with the guidance for including a reference to the accountant’s review report on financial statements. The guidance is</p> | NO |

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| | | | page of the information.” | appropriately a “may consider” because the supplementary information is the responsibility of management and SSARSs cannot impose requirements on management. | |
| 11 | | 4 - Michigan | <p>We agree with the changes made which emphasis that the information is “supplementary” and that it is the “responsibility” of management. Also describing that the supplementary information has “been subjected to the review procedures applied in the accountant’s review of the basic financial statements” is an improvement.</p> <p>Paragraphs .A129 A130, .A130 A131, .A131 A132</p> <p>We agree with the changes made they add clarity and additional information that will benefit the practitioners and the users of the supplementary information. Also in regards to proposed paragraph .A132 we believe that the inclusion of the reference to the accountant’s review report on each page of the supplementary information should be made mandatory or at least presumptively mandatory by changing “may consider” to must or should.</p> | See preceding consideration. | NO |
| 12 | | 5 – BDO | <p>Paragraph .81, as amended, indicates that ‘the accountant has subjected the supplementary information to the review procedures applied in the accountant’s review of the basic financial statements...’ However, the Exposure Draft does not address the accountant’s requirements with respect to the supplementary information in order to conclude that he or she is not aware of any material modifications that should be made to</p> | See discussion memorandum | NO |

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| | | | <p>the supplementary information.</p> <p>Requirements with respect to supplementary information in connection with an audit are delineated in AU-C 725 paragraphs .05 - .08. While we are not suggesting that requirements of the exact same nature and extent would be appropriate for review engagements, the accountant should perform some procedures in order to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the supplementary information and such requirements should be stipulated in the SSARS.</p> | | |
| 13 | Reporting when SI does not accompany f/s | 2 – RSM | <p>We believe it would be extremely beneficial if further guidance could be provided regarding the accountant’s reporting responsibilities when supplementary information does not accompany the reviewed financial statement and the accountant’s review report thereon, particularly where the client has asked the accountant to provide negative assurance on that information. Although it is conceivable that in this situation an accountant could follow the reporting required when supplementary information accompanies reviewed financial statements and the accountant’s review report thereon, it can be confusing for the accountant to determine how to apply such guidance. It would be helpful to have example report wording and related guidance for the accountant’s report on supplementary information that is not presented with the basic financial statements. Such guidance could address matters such as:</p> | <p>No additional guidance/requirements are needed.</p> <p>The Omnibus SSARS proposes to revise paragraph .01 of AR-C section to read:</p> <p>.01 This section <i>applies when the accountant is engaged to perform a</i> addresses the accountant’s responsibilities when engaged to review <i>of</i> financial statements. This section may also applies, as necessary in the circumstances, to engagements <i>when the accountant is engaged</i> to review other historical</p> | NO |

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| | | | <ul style="list-style-type: none"> • When reporting on supplementary information that is not presented with the basic financial statements, should the accountant refer to the review report on the basic financial statements? If so, how much detail should be given? (e.g., Should the accountant provide the date of the accountant’s report on the basic financial statements and/or explain any modifications to that report?) • Can the client prepare supplementary information on a basis that is different than that used in the preparation of the basic financial statements? (e.g., If the basic financial statements are prepared under U.S. generally accepted accounting principles, can the supplementary information be prepared in accordance with management’s criteria as allowed under proposed paragraph .A11?) • Is the accountant permitted to provide a separate report on supplementary information not presented with the basic financial statements if that information has only been subject to compilation procedures or subject to no procedures at all? If so, should a standalone report include language such as that in proposed paragraph .A131 that is required when supplementary information accompanies reviewed financial statements and the accountant’s review report thereon and has | <p>financial information, <i>excluding pro forma financial information. Reviews of pro forma financial information are to be performed in accordance with Statements on Standards for Attestation Engagements.</i> (Ref: par. .A1–.A2A3)</p> <p>Paragraph .A1 of AR-C section 90 states that an example of other historical financial information that an accountant may be engaged to review includes supplementary information.</p> <p>See Discussion Memorandum.</p> | |

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| | | | not been subjected to the review procedures applied in the review of the basic financial statements? | | |
| 14 | | 4 – Michigan | ...we are concerned that the Application and Other Explanatory Material section of AR-90C offers no guidance on how to report on supplementary information that may be presented in a document that is separate from the reviewed financial statements. We request that you please clarify this matter. | See preceding consideration | NO |
| 15 | | 5 – BDO | Since the definition of supplementary information addresses the fact that such information may not be included with the reviewed financial statements we believe the accountant’s responsibility in such situations should be addressed. We suggest incorporating guidance when reference is made from the supplementary information to the separately issued reviewed financial statements or the accountant’s report thereon. The SSARS should also address the accountant’s responsibility when supplementary information is issued separate from the reviewed financial statements and no reference is made thereto or to the accountant’s report. | See preceding consideration | NO |
| 16 | | 6 – Illinois | The revised definition of supplementary information now includes information that may not be presented in a document that contains the reviewed financial statements (“detached information”). Therefore, we suggest clarification be added in the proposed statement to indicate whether it is expected, required or prohibited that either: (a) a separate accountant’s report on the detached information | See preceding consideration | NO |

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| | | | <p>be included with the detached information; or</p> <p>(b) that the accountant’s report on the reviewed financial statements refer to the detached information – or alternatively, that a separate accountant’s report on the detached information be included with the reviewed financial statements.</p> <p>Additionally, if not prohibited, provide illustrative examples for the scenarios listed above.</p> <p>We acknowledge that paragraph .80 of SSARS 21, Section 90 limits its guidance to supplementary information that ‘accompanies’ reviewed financial statements, which might implicitly indicate that no reporting on detached information is permitted. However, that implicit indication may not always be readily apparent under the revised definition in paragraph .05. If no reporting on detached information is contemplated (as we would expect), we question why paragraph .05 was revised to even refer to detached information.</p> | | |
| 17 | SI that accompanies f/s and comp. report | 2 – RSM | We note that corresponding changes relating to the definition of, and clarification of responsibilities relating to, supplementary information have not been proposed to be made within AR-C section 80, <i>Compilation Engagements</i> . We recommend such conforming changes be made where applicable. | Agreed and changes are proposed to the draft standard. | YES |
| 18 | | 4 – Michigan | ...the task force was wondering why similar changes were not | See preceding consideration. | YES |

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| | | | made to Section 80 Compilation Engagements. It would seem that most of the proposed changes to supplementary information in review engagements would be applicable to compilation engagements too. | | |
| 19 | RSI – Unresolved doubts | 4 – Michigan | Finally, although it is out of the scope of comments you solicited on the proposed amendments to AR-90C we would like the committee to consider the following comments on Section 80 paragraph .35f and Section 90 paragraph .83g. Both these paragraphs deal with an other-matter paragraph explaining the accountant’s responsibility for required supplementary information and any unresolved doubts the accountant has. We originally expressed these comments in our comment letter on SSARS 21exposure draft, dated April 30, 2014. We still have concerns that the Application and Other Explanatory Material section of the standards does not have any examples of language that could be included in the other-matter paragraph. Also we are concerned with the concept that accountants be allowed to include an expression of unresolved doubts about a part of the financial statements that they have subjected to review procedures and have not become aware of any material modifications that should be made to the information. We respectively request that the committee consider clarifying the issue of unresolved doubt. | | NO |