



## Agenda Item 2

### Omnibus SSARS - 2018

#### Objective of Agenda Item

To discuss the seven comment letters received on the exposure draft of the proposed Statement on Standards for Accounting and Review Services, *Omnibus Statement on Standards for Accounting and Review Services – 2018* (Omnibus SSARS – 2018); to review and discuss a revised draft of the proposed SSARS; and to vote to ballot to issue the proposed standard as a final SSARS.

#### Background

At its meeting in August 2017, the ARSC voted to ballot to expose the proposed Omnibus SSARS – 2018 for public comment. The exposure draft was issued on September 14, 2017 and the comment period ended on December 14, 2017.

The draft standard proposed requirements and guidance when 1) financial statements are prepared in accordance with a foreign financial reporting framework (not IFRS) and 2) the compilation or review is to be performed in accordance with the international compilation or review standards. The standard also proposed to move the guidance in Interpretation No. 1, *Considerations Related to Reviews Performed in Accordance With International Standard on Review Engagements (ISRE) 2400 (Revised)* to AR-C section 90, *Review of Financial Statements* resulting in the withdrawal of the interpretation. If issued as a final standard, the standard would result in a new AR-C section 100, *International Reporting Issues*.

The proposed standard also included an amendment to requirements when referencing the work of other accountants in an accountant's review report. The proposed SSARS included amendments to paragraphs .78-.79 of AR-C section 90 that will:

- Preclude the accountant from referencing, in the accountant's review report, the review or audit report of other accountants if such accountants' report is restricted as to use
- Provide guidance when the accountant decides to make reference, in the accountant's review report, to the review or audit report of other accountants of financial statements of a significant component when the other accountants'

Omnibus SSARS - 2018  
Discussion Memorandum  
ARSC Meeting, January 9-11, 2018

review or audit is performed in accordance with standards other than SSARSs or auditing standards generally accepted in the United States of America (GAAS)

- Provide review reporting requirements and guidance when the accountant decides to make reference to the review or audit of other accountants who review or audit the financial statements of a significant component prepared using a financial reporting framework different from that used for the financial statements of the reporting entity

The proposed SSARS also proposed revisions to AR-C section 90 with respect to the accountant's requirements related to consideration of going concern. The proposed revisions are consistent with the revisions to AU-C section 930, *Interim Financial Information* which were included in Statement on Auditing Standards No. 132, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* issued in February 2017. The proposed revisions to SSARSs also include additional inquiries and certain written representations that are consistent with International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements*.

Finally, in order to address an inconsistency between the review reporting requirements in paragraph .39 of AR-C section 90 and the illustrative review reports in Exhibit C to AR-C section 90, the proposed standard includes a technical correction to paragraph .39. It is not anticipated that this technical correction will result in a change in practice.

### **Issue For Discussion With ARSC**

#### Effective Date

With respect to the proposed effective date, the exposure draft of the proposed SSARS states:

Except for the technical correction to paragraph .39 of AR-C section 90 which will be effective upon issuance, the proposed SSARS will be effective for compilations and reviews of financial statements for periods ending on or after June 15, 2019. This effective date is provisional but will not be earlier than June 15, 2019.

The ARSC determined to make the technical correction to paragraph .39 of AR-C section 90 effective upon issuance as it does not anticipate that this technical correction will result in a change in practice. This timing is consistent with how previous technical corrections were addressed.

In their comment letter, the PCPS Technical Issues Committee stated:

TIC does not agree with the proposal to make the technical correction to paragraph .39 of AR-C section 90 effective immediately. TIC feels that practitioners should be permitted adequate time to prepare for any changes to report wording (no matter how minor). This typically involves updating a firm's internal templates to reflect any wording changes and communicating those changes throughout the firm.

Omnibus SSARS - 2018  
Discussion Memorandum  
ARSC Meeting, January 9-11, 2018

TIC would respectfully remind the ARSC that, in the past, when standards have been made immediately effective, significant pushback was received from firms. So, TIC would encourage the ARSC to consider leaving the effective date for this technical report correction the same as the effective date for the rest of the standard.

In their comment letter, Grant Thornton LLP stated:

The Proposed Omnibus notes the technical correction to paragraph .39 of AR-C section 90, *Review of Financial Statements*, will be effective upon issuance of the Proposed Omnibus. While we appreciate this correction is intended to align the requirements with the illustrative report example, it would be inappropriate to assume that all written review reports align with the illustrative example as opposed to the requirements. Accountants need a reasonable period of time to consider the impact and implement changes, particularly when those changes impact the requirements of the standard. As such, we strongly recommend that the Committee align the effective date of the technical correction to paragraph .39 with the effective date of the other changes to avoid unintended consequences and provide accountants and auditing software developers a reasonable period of time to implement the change in their manuals and templates.

**Action Requested of ARSC**

The ARSC is asked to consider whether the technical correction to paragraph .39 of AR-C section 90 should be effective upon issuance, as proposed (consistent with how previous technical corrections were addressed) or if the revision to paragraph .39 of AR-C section 90 should have the same effective date as the rest of the proposed standard, or some other date.

**Overall Action Requested of ARSC**

The ARSC is asked to consider voting to ballot to issue the proposed standard as a final SSARS.

**Agenda Items Presented:**

- Agenda item 2A      Exposure Draft of proposed SSARS, *Omnibus Statement on Standards for Accounting and Review Services – 2018*
- Agenda item 2B      Summary of responses to the exposure draft of the proposed SSARS, *Omnibus Statement on Standards for Accounting and Review Services – 2018*
- Agenda item 2C      Draft proposed revised SSARS, *Omnibus Statement on Standards for Accounting and Review Services – 2018* – redline to show changes from exposure draft