

## Agenda Item 1



### **Proposed SSARS, *Omnibus Statement on Standards for Accounting and Review Services - 2018***

#### **Objective of Agenda Item**

To review the revisions to the proposed SSARS, *Omnibus Statement on Standards for Accounting and Review Services – 2018* (Omnibus SSARS – 2018) and vote to ballot to issue the proposed SSARS as a final standard.

#### **Background**

At its January 9-11, 2018 meeting, the ARSC discussed the seven comment letters received on the exposure draft of the proposed Omnibus SSARS – 2018 and reviewed and discussed a revised draft of the proposed SSARS.

The draft standard proposes 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 proposes 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 includes an amendment to requirements when referencing the work of other accountants in an accountant's review report. The proposed SSARS includes 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'

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 proposes 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.

## **Revisions to the Proposed SSARS from January 9-11, 2018 ARSC Meeting**

Note that the draft standard presented as agenda material shows requirements and application guidance in a side-by-side format (with the exception of the proposed application paragraph discussed below). This presentation is to facilitate the ARSC's discussion of the proposed standard. If issued as final, the standard will be in the traditional format (with application paragraphs following the requirements).

### **Application Guidance Added to Clarify that Accepting Responsibility for Internal Control Would Impair Independence**

At its January 9-11, 2018 meeting, the ARSC directed that an application paragraph be added to hang off the requirement in paragraph .26c(ii) of AR-C section 60, that, as a precondition for accepting an engagement to be performed in accordance with SSARSs, the accountant should obtain the agreement of management that it acknowledges and understands its responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, unless the accountant decides to accept responsibility for such internal control. The application paragraph would clarify that accepting such responsibility would impair independence and would preclude a review of the financial statements. The proposed application paragraph is as follows:

*.A51 While the accountant may accept responsibility for the design, implementation, and maintenance of internal control, such an activity is a management responsibility and, as such impairs independence if performed for an attest client.<sup>5</sup> Therefore, if an accountant accepts such responsibility the accountant would be precluded from performing a review of the financial statements.*

<sup>5</sup> ET 1.295.030.02k

### **Wrap Material**

The wrap material is presented on pages 1-6 of the proposed SSARS. The wrap material had not previously been discussed by the ARSC. The wrap material is not presented in redline format for readability.

### **Overall Action Requested of the ARSC**

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

### **Agenda Items Presented:**

Agenda item 1A      Draft of the proposed SSARS *Omnibus Statement on Standards for Accounting and Review Services - 2018* – redline to show changes from draft presented at the January 9-11, 2018 ARSC meeting

Agenda item 1B      Draft of the proposed SSARS *Omnibus Statement on Standards for Accounting and Review Services - 2018* – clean

Mr. Glynn will use agenda item 1A to walk the ARSC through the proposed standard.