



Agenda Item 2

Auditor's Reports—Dual reporting under GAAS and PCAOB standards

Objective

To discuss, and vote to ballot for exposure, a proposed amendment to AU-C section 700 *Forming an Opinion and Reporting on Financial Statements* to clarify that when an auditor conducts an audit and reports in accordance with the auditing standards of the Public Company Accounting Oversight Board (PCAOB) and those audits are not within the jurisdiction of the PCAOB, as set forth in the AICPA *Code of Professional Conduct* (Code), the auditor must also comply with GAAS. The amendment will also provide guidance on the layout and wording of the auditor's report in such situations.

Background

Auditors of entities that are within the jurisdiction of the PCAOB, such as auditors of issuers and non-issuer broker dealers registered with the SEC, are required to be registered with, and subject to inspection by, the PCAOB. In these situations, the Code requires members to perform the audit in accordance with PCAOB standards.

Other situations exist in which an agency or regulator may require that audits of entities that are not within the jurisdiction of the PCAOB be conducted under PCAOB auditing standards. In these situations, the Code requires members to also perform the audit in accordance with GAAS, which results in the audit being conducted in accordance with multiple auditing standards. The financial statements and the auditor's report may, in some circumstances, be filed with or furnished to the SEC. Examples of entities not within the jurisdiction of the PCAOB include clearing agencies and futures commission merchants registered with the Commodities Future Trading Commission (CFTC), as well as certain other entities registered with the CFTC which are not also SEC-registered broker dealers.

At the May 2015 ASB meeting, the AICPA staff discussed three options with the ASB to scope a proposed amendment to the reporting standards to address the above circumstances. As a result of the meeting, the board directed the staff to develop an amendment which could apply regardless of whether the PCAOB audit is required by law or regulation or the related financial statements are to be filed or furnished with the SEC.

The following materials are provided for your consideration

- Agenda Item 2A – Proposed amendment to AU-C 700