



Agenda Item 2

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

Objective

To vote to ballot for issuance as a final standard, 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 auditor is not precluded from using the using the report layout and wording specified by the auditing standards of the PCAOB amended to indicate that the audit was also conducted in accordance with GAAS.

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.

Actions to Date

At the May 2015 ASB meeting, the ASB directed the staff to develop an amendment which would 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.

At the July 2015 ASB meeting, the ASB voted to ballot for issuance an exposure draft, *Amendment to SAS No. 122 section 700, Forming an Opinion and Reporting on Financial Statements*. The exposure draft was issued on August 14, 2015 and the comment period ended on September 30, 2015.

Agenda Materials

The following materials are provided for your consideration

- Item 2A — Summary of comments and discussion of issues
- Item 2B — Analysis of Comments
- Item 2C — Proposed Amendment – marked from Exposure Draft
- Item 2D — Proposed Amendment - clean