



Agenda Item 1

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 required to use the form of reporting specified by the auditing standards of the PCAOB amended to indicate that the audit was also conducted in accordance with GAAS.

Revisions Since Last Meeting

At its meeting on November 23, 2015, the ASB discussed the comments received on exposure of proposed SAS *Amendment to Statement on Auditing Standards No. 122 Section 700, Forming an Opinion and Reporting on Financial Statements*.

The following changes were made to the proposed SAS (as compared to the draft presented at the November 23 meeting).

- The new requirement paragraph now follows paragraph 43, consistent with the ED, and contains the reference to all the new application paragraphs.
- Reverted to using “entities whose audits are [not] within the jurisdiction of the PCAOB” and not “an entity is [not] an issuer or broker or dealer registered with the SEC”.
- Par. 44, revised to “require” instead of “permit” the use of the PCAOB report wording and layout in dual reporting situations consistent with the exposure draft.
- Par. A43-A44, retain the phrase “of the financial statements” when referring to the audit.
- Added application material to par. A43 that says “In following the form of report specified by the PCAOB, the auditor may need to also consider other PCAOB reporting requirements for specific circumstances such as reporting on supplemental information or issuing a modified report” to address other reporting circumstances.
- Revised par. A44 to clarify.

- The “wrap materials” (paragraph 1) has been included in the document. Revisions from the ED include noting that the amendment adds a requirement to address the different reporting requirements of GAAS and the auditing standards of the PCAOB, and that this approach was developed pursuant to discussions with the staff of the SEC who observed the open meetings of the ASB.

Agenda Materials

The following materials are provided for your consideration

- Item 1A — Proposed Statement on Auditing Standards, *Amendment To Statement On Auditing Standards No. 122 Section 700, Forming an Opinion and Reporting on Financial Statements*
- Item 1B — Proposed SAS – marked from Nov 23 ASB meeting draft
- Item 1C — Proposed SAS – marked from Exposure Draft