



May 4, 2018

Mr. Mike Glynn  
Senior Technical Manager  
AICPA Auditing Standards Board  
1211 Avenue of Americas  
New York, NY 10036-8775

RSM US LLP

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Chicago, IL 60606  
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Re: Proposed Statement on Auditing Standards (SAS), *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*

Dear Mr. Glynn,

RSM US LLP appreciates the opportunity to offer our comments on the proposed SAS, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*. RSM US LLP is a leading provider of audit, tax and consulting services focused on the middle market. We have more than 9,000 professionals in 90 cities nationwide.

We understand the proposed standard was drafted to converge the applicable U.S. generally accepted auditing standards (GAAS) with International Standard on Auditing (ISA) 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*. We appreciate the Auditing Standards Board's strategic objective of converging its standards with those of the International Auditing and Assurance Standards Board.

We have reviewed the proposed SAS and ISA 720 (Revised), and overall agree with the proposed revisions to AU-C section 720, *Other Information in Documents Containing Audited Financial Statements*. We also agree with the approach of using terms and phrases that are more common in the United States, and tailoring examples and guidance to the U.S. environment. The language in the proposed standard generally is helpful to the auditor in understanding the requirements.

We have offered comments in response to the specific requests for comment detailed in the proposed standard. In addition, we have provided specific comments on certain matters related to the content of the proposed standard, which we believe should be addressed.

### **Comments in Response to the Specific Requests**

#### *Issue 1: Clarification of Documents That Are Within the Scope of the Standard*

We believe the proposed revisions provide much greater clarity regarding the scope of documents required to be subjected to the auditor's procedures. In particular, we believe application paragraph A9 is especially helpful in this regard. We do not believe additional revisions or guidance are necessary.

#### *Issue 2: Determining Which Documents Constitute the Entity's Annual Report*

We believe the proposed required discussion with management and management's written acknowledgment regarding which documents make up the annual report, and the entity's planned manner and timing of the issuance of such documents, will be very helpful for both the auditor and management. We believe this requirement will achieve the intent of ensuring that both the auditor and management understand the documents that are considered to constitute the entity's annual report

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and therefore are subject to the auditor's procedures required by the proposed SAS. We believe it is appropriate that application paragraph A17 allows latitude for including management's written acknowledgment in either the engagement letter, an amendment to the engagement letter, a representation letter or some other written communication.

*Issue 3: Reading the Other Information*

We believe the work effort required by the proposed standard will result in an improvement of the auditor's understanding of the auditor's responsibility for other information. The scope of the work as stated in the proposed standard is helpful and should enable the auditor to more thoroughly read the other information and challenge statements included in (or omitted from) the other information that are inconsistent with the audited financial statements or the auditor's knowledge obtained as part of the audit.

Because proposed paragraph 15 requires the auditor to consider whether there is a material inconsistency between the other information and the (a) financial statements and (b) auditor's knowledge obtained in the audit, the concept of "material inconsistency" is a core element of the proposed standard. Providing a definition for, or further clarity about what is meant by, "material inconsistency" may increase the auditor's understanding of the work effort required.

Additionally, "material inconsistency" is used repeatedly in paragraph 15 and most of its related application paragraphs. However, in paragraph 15 and most of its related application paragraphs, "consistency" is also used. We believe "consistency" should be replaced with "material consistency" in paragraph 15 and its related application paragraphs.

We believe the proposed SAS provides adequate guidance with respect to the auditor's consideration of omitted or obscured information.

*Issue 4: Knowledge of Component Auditors When the Group Auditor Decides to Make Reference to a Component Auditor in the Auditor's Report on the Group Financial Statements*

We believe the proposed SAS provides adequate guidance for group auditors when a group auditor decides to make reference to a component auditor in the auditor's report on the group financial statements.

*Issue 5: Reporting*

We believe the proposed requirement for the auditor to include a separate section in the auditor's report addressing other information appropriately conveys the nature and extent of the auditor's consideration of other information without inappropriately implying that the auditor has obtained assurance on or is expressing an opinion or conclusion on the other information.

**Comments on the Content of the Proposed Standard**

In addition to our comments offered above in response to the specific requests for comment, we offer the following comments on certain matters related to the content of the proposed standard for your consideration:

*Paragraph A2*

To more clearly define the scope of the proposed SAS and to align the terminology used in paragraph A2 with that used throughout the proposed SAS, we suggest revising paragraph A2 as follows (proposed additions are shown in bold font and a proposed deletion is struck through):

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A2. In instances in which the auditor applies this proposed SAS to ~~other~~ documents **other than annual reports** to which the auditor, at management's request, devotes attention, all of the requirements of this proposed SAS, including those requirements regarding reporting, are applicable, adapted as necessary in the circumstances.

*Paragraph A4*

To clarify that the proposed SAS also applies to other information for which a designated accounting standard setter has issued standards or guidance regarding the format to be used and content to be included when such information is voluntarily presented in an annual report, we suggest revising paragraph A4 as follows (proposed additions are shown in bold font and a proposed deletion is struck through):

A4. This proposed SAS also ~~addresses~~ **applies to** other information for which a designated accounting standard setter has issued standards or guidance regarding the format to be used and content to be included when such information is voluntarily presented in an annual report—for example, GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*.

*Paragraph A9*

Paragraph A9 lists examples of reports that, when issued as standalone documents, are not other information within the scope of the proposed SAS. It is possible that management may request an auditor to apply the proposed SAS to these reports, even though such reports are listed as examples of other information not within the scope of the proposed SAS. If the Board believes that an auditor should be allowed the option of applying the proposed SAS to such reports, we suggest inserting the following additional guidance after the list of example reports in paragraph A9:

Although these reports are not other information within the scope of this proposed SAS, at management's request, the auditor may apply this proposed SAS to such reports (see further guidance in paragraph A2).

*Paragraph A12*

We appreciate the addition of the last sentence in paragraph A12, and believe it will be very helpful to auditors.

We appreciate this opportunity to provide feedback on the proposed standard and would be pleased to respond to any questions the Auditing Standards Board or the AICPA staff may have about our comments. Please direct any questions to Sara Lord, National Director of Audit Services, at 612.376.9572.

Sincerely,

*RSM US LLP*

RSM US LLP