



AUDITING STANDARDS BOARD (ASB)

Meeting Highlights

March 8, 2019

Conference Call

MEETING ATTENDANCE

ASB Members

Mike Santay, *Chair*

Monique Booker

Jay Brodish

Dora Burzenski

Joseph Cascio

Larry Gill

Audrey Gramling

Gaylen Hansen

Tracy Harding

Jan Herring

Kristen Kociolek

Ilene Kassman

Sara Lord

Alan Long

Rich Miller

Dan Montgomery

Marcia Marien

Jere Shawver

Chad Singletary

Guest

Darrel Schubert, Chair, ERISA Reporting Task Force

AICPA Staff

Bob Dohrer, Chief Auditor, *Professional Standards & Services*

Linda Delahanty, Senior Technical Manager, *A&A Standards*

Mike Glynn, Senior Technical Manager, *A&A Standards*

Ahava Goldman, Associate Director, *A&A Standards*

Hiram Hasty, Associate Director, *A&A Standards*

Andy Mrakovic, Technical Manager, *A&A Standards*

Teighlor March, *Assistant General Counsel*

Tammy Mooney, Associate Director - Assurance Methodology,
Assurance Advisory Innovation

Observers

See Appendix

1. Audit Evidence

The ASB discussed a draft of the proposed SAS *Audit Evidence*, which would supersede AU-C section 500, *Audit Evidence*. The discussion focused on the introduction, objective, definitions and requirements sections of the proposed SAS but did not include in-depth discussion of the application material.

Significant decisions and observations were as follows:

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- The ASB discussed the words used to describe the work effort contemplated for the requirements of the proposed SAS. In prior discussions, the ASB had instructed the Audit Evidence Task Force (Task Force) to replace the word “consider” with words such as “evaluate” or “assess”, to better describe and strengthen the expected work effort in various requirements of the proposed SAS. After reviewing the revisions, the ASB instructed the Task Force to reconsider the words used, taking into account how terms such as “consider,” “assess” and “evaluate” are used in other AU-C sections, and to use the term most appropriate for each individual requirement.
- The ASB directed the Task Force to consider how the proposed definitions of “appropriateness” and “sufficiency” align with the auditor’s overall objectives and related definitions in AU-C section 200.
- The proposed SAS indicates that sufficient appropriate audit evidence has been obtained when the auditor is persuaded to draw a conclusion. A member noted that the auditor forms numerous conclusions in performing an audit and asked whether the auditor therefore needs to obtain sufficient appropriate audit evidence for each conclusion reached during an audit. The Task Force was instructed to clarify how requirements apply to various conclusions reached during an audit.
- A member expressed the view that the scope section of the proposed SAS should include guidance about the interaction of the requirements of the proposed SAS and the requirement in paragraph 28 of AU-C section 330 for the auditor to conclude whether sufficient appropriate audit evidence has been obtained.

A revised draft will be brought to the ASB at its May 2019 meeting for a vote to ballot for exposure.

2. **Materiality**

The ASB discussed a draft of a proposed SAS and a proposed SSAE, both titled *Amendments to the Description of the Concept of Materiality*. The proposed standards contain amendments intended to eliminate inconsistencies between the AICPA *Professional Standards* and the definition of materiality used by the U.S. judicial system and other U.S. standard setters and regulators.

The ASB agreed

- with the proposed wording of the definition of materiality but asked the Materiality Task Force to consider whether the words “made on the basis of” could be revised or deleted, and whether to include “and disclosures” after “financial statements”.
- not to consider amendments to the description of “completeness” in the proposed SSAE on the basis that completeness relates to the suitability of criteria and not materiality.
- with the proposed effective date and that early implementation need not be precluded.
- that when reporting on an audit conducted in accordance with both GAAS and the ISAs, the auditor’s report should provide a definition or description of materiality in accordance with the applicable financial reporting framework.

A revised draft will be brought to the ASB at its May 2019 meeting for a vote to ballot for exposure.

3. Conforming Amendments

The ASB discussed proposed conforming amendments to the final ballot draft Statement on Auditing Standards (SAS) *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* (EBP SAS) relating to form and content of the auditor's reports. Throughout the project, the ASB has acknowledged the need for the EBP SAS to be conformed to the auditor reporting standards, including a clear notice in the final ballot draft EBP SAS that was posted on the AICPA's website in November 2018.

Major points discussed were as follows:

- The terminology used in the EBP SAS relating to the Form 5500, to which the board had no changes.
- Whether the EBP SAS should be conformed to the proposed SAS, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports* (OI SAS). The board supported retaining the content in the ballot draft relating to the Form 5500 because the Form 5500 is not considered an annual report and is therefore not within the scope of the draft OI SAS.
- Although the ASB agreed not to conform to the draft OI SAS, the task force was asked by an ASB member to consider whether the EBP SAS should expand its requirements or application material to align with the requirements in the draft OI SAS relating to reading and considering the other information. The task force will consider this.
- Whether the EBP SAS should address the applicability of key audit matters (KAM) to the matters considered as part of the Form 5500 requirements. No changes were suggested as a result of this discussion.

The ASB will be asked to approve the conforming amendments to the EBP SAS at its May 2019 meeting, thereby finalizing the EBP SAS for issuance.

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Appendix: Registered Observers

Amanda Iacone	<i>Bloomberg Tax</i>
Bruce Nunnally	<i>Carr, Riggs & Ingram, LLC</i>
Carole McNeese	<i>Plante Moran</i>
Carrie Kostelec	<i>Wolters Kluwer</i>
Cathy Rowe	<i>Wolters Kluwer</i>
Chris McCall	
Dan Voogt	<i>Grant Thornton</i>
Denise Silva	<i>CCH</i>
Denny Ard	<i>DHG</i>
Dominique Miniati	<i>Deloitte</i>
Duncan Will	<i>CAMICO Mutual Insurance</i>
Erica Forhan	<i>Moss Adams LLP</i>
Harrison Greene	<i>FDIC</i>
Howard Sibelman	
James Ricker	<i>KPMG LLP</i>
Jeffrey Schaberg	<i>Deloitte & Touche LLP</i>
Jessica Luttrull	<i>NASBA</i>
Joseph Wolfe	<i>Aon</i>
Josie Hammond	<i>RSM US LLP</i>
Judy Goldberg	<i>Ernst & Young LLP</i>
Kathleen Healy	<i>PWC</i>
Laura Schuetze	<i>Grant Thornton LLP</i>
Lynne McMennamin	<i>U.S. Dept. of Labor</i>
Mark Wells	<i>Thomson Reuters/PPC</i>
Matt Hodder	<i>SEC</i>
Michael Auerbach	<i>U.S. Dept. of Labor</i>
Michael Delaney	<i>CT Auditors of Public Accounts</i>
Mike Fleming	<i>Rehmann Robson LLC</i>
Nicholas Cappiello	<i>FASB</i>
Nick Kostoff	<i>Ernst & Young LLP</i>
Nipa Patel	<i>US Securities and Exchange Commission</i>
Peter Alfele	<i>CliftonLarsonAllen</i>
Rick Reisig	<i>Anderson ZurMuehlen</i>
Sally Ann Bailey	<i>Deloitte & Touche LLP</i>
Soyoung Ho	<i>Thomson Reuters</i>
Steven Morrison	<i>CohnReznick LLP</i>
Susan Jones	<i>KPMG LLP</i>
Vanessa Teitelbaum	<i>Center for Audit Quality</i>
Victoria Pitkin	<i>Ostrow Reisin Berk & Abrams Ltd.</i>