



Agenda Item 2B

Summary of Comment Letters on Exposure Draft of the Proposed SSARS, *Omnibus Statement on Standards for Accounting and Review Services - 2018*

Comment Letter No.	Commenter
1	AICPA PCPS Technical Issues Committee
2	Florida Institute of CPAs' Accounting Principles and Auditing Standards Committee
3	J. Gregory Kashella, CPA
4	Professional Standards Committee of the Texas Society of CPAs
5	Grant Thornton LLP
6	Deloitte & Touche LLP
7	RSM US LLP

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General Comments

Commenter	Specific Response
1 - AICPA PCPS Technical Issues Committee	TIC agrees with ARSC in that this proposed standard will not result in significant change in practice but, instead, will provide supplemental requirements and guidance for accountants in applying AR-C sections 80 and 90 to compilations and reviews of financial statements that are prepared in accordance with a financial reporting framework generally accepted in another country or when the compilation or review is performed in accordance with both SSARSs and another set of compilation or review standards.
3 - J. Gregory Kashella, CPA	<p>Before the provisions of this Statement are adopted, I feel the compilation standards should be revisited for possible changes in the area of going concern. I feel there should be a definite standard that if there is a going concern issue with financial statements that omit the disclosures, that the emphasis of matter paragraph be inserted to eliminate any doubt that the disclosures were omitted to be deceptive.</p> <p>I feel by revisiting the compilation issues before this statement is adopted, the ARSC can make one revision rather than another later.</p>
6 – Deloitte & Touche LLP	We support the issuance of this proposed ED to include the various amendments to AR-C section 90, <i>Review of Financial Statements</i> (AR-C 90). We acknowledge that the proposed amendments pertaining specifically to going concern are necessary in order to “harmonize the accountant’s requirements with respect to going concern in a SSARSs review with those of AU-C section 930, <i>Interim Financial Information</i> ” ¹ (AU-C 930), and AU-C section 570, <i>The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern</i> (AU-C 570), as applicable.
7 – RSM US LLP	We are generally supportive of the content of the proposed SSARS, as detailed in the Exposure Draft.

Summary of Responses to Specific Requests for Comment

Issue 1—International Reporting Issues

Specific Request for Comment 1

Please provide specific feedback about whether any additional requirements or guidance are necessary with respect to performing or reporting on the following:

- a. Financial statements prepared in accordance with a financial reporting framework generally accepted in another country
- b. An engagement performed in accordance with both SSARSs and another set of compilation or review standards

Commenter	Specific Response
1 - AICPA PCPS Technical Issues Committee	Based on TIC’s review of the proposed additional implementation-type guidance and TIC’s understanding of the current guidance, TIC does not believe any additional requirements or guidance is necessary.
2 - Florida Institute of CPAs’ Accounting Principles and Auditing Standards Committee	1 a. The proposed requirements and guidance when preparing and reporting financial statements in accordance with a financial reporting framework generally accepted in another country is sufficient. 1 b. We agree with the proposed guidance in that it brings the SSARS up to date with the SASs.
4 - Professional Standards Committee of the Texas Society of CPAs	a. Companies that need to issue statements under foreign frameworks are most likely to hire a firm in that country to prepare. However, we realize multinational firms may prepare financial statements under many different frameworks. Guidance on preparing financial statements under foreign generally accepted frameworks would be helpful. b. If a firm is preparing multiple sets of compilations and reviews under SSARS and another set of standards, the guidance provided is helpful. Additional guidance is needed with regards to the CPA’s responsibility.
5 - Grant Thornton LLP	We support the Committee’s proposed revisions to provide requirements and guidance for compilations and reviews of financial statements generally accepted in another country or performed in accordance with both the SSARS and another set of compilation and review standards. We are not aware of additional guidance needed at this time; however, we recommend that the Committee continue to evaluate reporting circumstances and questions that may be directed to the AICPA’s Technical Hotline or in other forums to evaluate whether further guidance may be necessary.

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7 – RSM US LLP	We believe additional requirements and guidance are necessary with respect to performing and reporting in both of these circumstances, and we believe the Exposure Draft has appropriately addressed such requirements and guidance. We believe the explicit language added in paragraphs .02 and .03 explaining when new section AR-C 100 is applicable in relation to reporting on engagements under International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board compared to jurisdictional variances of IFRS is particularly helpful and will promote consistency in enabling practitioners to identify the relevant SSARS for their engagements.

Specific Request for Comment 2

Are the new requirements and guidance best codified as a new AR-C section 100 or would it be easier to implement and understand if the requirements and guidance were incorporated into AR-C sections 80 and 90? Please provide specific feedback.

Commenter	Specific Response
1 - AICPA PCPS Technical Issues Committee	TIC believes that creating a new AR-C section with these international reporting issues is appropriate as there are some accountants that do not encounter these issues. TIC agrees with the proposal of adding this guidance in its own section so accountants who encounter these international reporting issues have the applicable guidance in one section.
2 - Florida Institute of CPAs' Accounting Principles and Auditing Standards Committee	We believe that is it not necessary to have a new AR-C section but rather it would be much easier in practice to incorporate the guidance into AR-C sections 80 and 90 so that everything is in one comprehensive section which provides for easier comparison.
4 - Professional Standards Committee of the Texas Society of CPAs	We think that this guidance would be most helpful if presented in a new AR-C section. Preparing financial statements under multiple frameworks is a specialized situation and would be best understood if separated from current guidance.
5 - Grant Thornton LLP	We believe presentation as a separate section is appropriate as our experience in this area in practice is that these situations occur but not with much frequency.
7 – RSM US LLP	We believe that, as proposed, AR-C section 100 clearly sets out the additional responsibilities and refers to the relevant paragraphs in AR-C sections 80 and 90 in a way that allows easy reference between them and the other AR-C sections. We believe including AR-C 100 as a separate section will best enable practitioners to perform international engagements following the appropriate standards. We also believe it simplifies the application of the standards for practitioners not performing such engagements.

Issue 2—The Accountant’s Consideration of an Entity’s Ability to Continue as a Going Concern

Specific Request for Comment 3

Is it appropriate to revise AR-C section 90 to include a requirement for the accountant to specifically perform procedures (primarily inquiry) related to management’s going concern assessment when the financial statements are prepared in accordance with an applicable financial reporting framework that includes requirements for management to evaluate the entity’s ability to continue as a going concern for a reasonable period of time? Please provide specific feedback.

Commenter	Specific Response
1 - AICPA PCPS Technical Issues Committee	TIC believes that it is appropriate to revise AR-C section 90, as presented in the exposure draft.
2 - Florida Institute of CPAs’ Accounting Principles and Auditing Standards Committee	Yes, we believe it is appropriate to include the requirement as the SSARS would have the same concept as FASB and therefore be more consistent.
3 - J. Gregory Kashella, CPA	I feel the review standards should also be harmonized with the accounting and auditing standards regarding the language concerning the one year length of time the company has to continue after the financial statements are issued or available to be issued. Although the review standard cites the F ASB ASC one year period in the underlying resources for the standard, I feel using the phrase "reasonable length of time" is too vague and can lead to misunderstandings and potential conflicts. This can be especially true if a company fails and the reasonable time period is determined by management to be less than a year.
4 - Professional Standards Committee of the Texas Society of CPAs	<p>We agree that AR-C 90 should be revised to include a requirement that if the framework contains a specific requirement for management to evaluate viability of the entity, the accountant should perform procedures to evaluate management’s assertions. We believe that if the framework does not include a requirement for management to establish a going concern, the accountant should still discuss with management any issues regarding going concern that surface during the engagement according to current audit and review requirements. As always, due diligence should be performed, no matter the framework requirements.</p> <p>When preparing financial statements under any framework, the accountant should comply with the requirements of that specific framework. In the case of frameworks of jurisdictions outside the United States, if the governing body does not require disclosure of going concern issues, the accountant does not have a legal responsibility to disclose. However, to comply with generally accepted auditing standards of the United States, the accountant should consider going concern in any audit or review engagement.</p>
6 – Deloitte & Touche LLP	Yes, D&T believes that it is appropriate for the accountant to perform review procedures relating to management’s evaluation about

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	the entity's ability to continue as a going concern for a reasonable period of time, as stated in paragraph 65 of AR-C 90 in the proposed ED. This is consistent with the approach adopted in paragraph 16 of AU-C 930.
7 – RSM US LLP	We agree with the requirement for the accountant to specifically perform procedures related to management's going concern assessment. We believe such procedures are consistent with the accountant's requirement to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework.

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Specific Request for Comment 4

Is it appropriate to revise AR-C section 90 to include a requirement for the accountant to include an emphasis-of-matter paragraph in the accountant’s review report in the aforementioned circumstances? Please provide specific feedback.

Commenter	Specific Response
1 - AICPA PCPS Technical Issues Committee	Yes, TIC is aware that ISRE 2400 (Revised), <i>Engagements to Review Historical Financial Statements</i> , AU-C section 930, <i>Interim Financial Information</i> , and Statement on Auditing Standards No. 132, <i>The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern</i> , all require an emphasis-of-matter paragraph under these circumstances. Therefore, TIC believes it is appropriate to have the SSARS be consistent with similar reports under similar guidance requirements and, therefore, an emphasis-of-matter paragraph appears appropriate in the aforementioned circumstances.
2 - Florida Institute of CPAs’ Accounting Principles and Auditing Standards Committee	Yes it is appropriate and should be required for review engagements.
3 - J. Gregory Kashella, CPA	I agree with the proposed revision to AR-C Section 90 to include a requirement for the accountant to include an emphasis-of-matter paragraph in the accountants' review report in the event of a going concern matter. While some items in the standards regarding reviews done under SAS and reviews done under SSARS are different, I feel that the harmonization of the standards on this issue is worthwhile.
4 - Professional Standards Committee of the Texas Society of CPAs	We believe it would be appropriate to revise AR-C 90 to include a requirement for an emphasis-of-matter paragraph in the review report if required by the framework used to prepare the report. If the framework would result in a required disclosure by the reporting entity about a going concern matter, then it is reasonable to also require an emphasis-of-matter paragraph that at least references the management disclosure. Even if no disclosure is required, the emphasis-of-matter paragraph should be an option for the accountant to include.
6 – Deloitte & Touche LLP	Yes, we agree with the proposed amendments to AR-C 90 for the accountant to include a required emphasis-of-matter paragraph in the review report when the use of the going concern basis of accounting is appropriate, but conditions or events have been identified that raise substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time, and management’s plans do not alleviate them. We concur that the emphasis-of-matter paragraph should be included in the accountant’s review report regardless of whether the entity is required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists.

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Commenter	Specific Response
7 – RSM US LLP	We believe it is appropriate to include an emphasis-of-matter paragraph to inform users in the aforementioned circumstances.

Issue 3—Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant’s Review Report

Specific Request for Comment 5

Are the proposed revisions to the requirements for referencing the work of other accountants in an accountant’s review report appropriate? In particular, focus on the requirement that the accountant of the reporting entity communicate with the other accountants and ascertain that the other accountants understand the ethical requirements relevant to the engagement and, in particular, are independent. Please provide specific feedback.

Commenter	Specific Response
1 - AICPA PCPS Technical Issues Committee	Yes, TIC agrees with the proposed requirements to communicate with the other accountants as to whether they understand the ethical requirements related to the engagement only in circumstances where the standards that they are reporting on have that requirement and, whereby, the report in which the issuing accountant is relying on expressly indicates this as noted in paragraphs .A134 and .A135 of the ED. The ARSC has indicated in paragraphs .A134 and .A135 that it is comfortable with the professional standards and ethics of those issuing boards as to not require additional inquiry and TIC agrees with this notion.
2 - Florida Institute of CPAs’ Accounting Principles and Auditing Standards Committee	We agree with the spirit of the revisions, however, in practice it is very rare and we as a committee have not come across this particular communication with other accountants.
4 - Professional Standards Committee of the Texas Society of CPAs	Yes, the committee thinks that when referencing the work of other accountants, the accountant of the reporting entity should determine that the referenced accountant understand and comply with the ethical requirements of the engagement, including independence.
7 – RSM US LLP	We believe the requirements for referencing the work of other accountants in a review report are appropriate but believe it may be useful to provide additional practical guidance related to how to meet those requirements, particularly with regard to independence as we believe this may cause difficulty and variability in practice.

Comments on Specific Paragraphs Within the Proposed SSARs

Proposed SSARS, *Omnibus Statement on Standards for Accounting and Review Services - 2018*

COMMENT NO.	Paragraph in the Exposure Draft or Topic	Commenter	Comments	Task Force Consideration of Comments	Change Made to Proposed SSARS?
1	Effective Date	1 – TIC	TIC agrees with the proposed effective date, which is for compilations and reviews of financial statements for periods ending on or after June 15, 2019. However, TIC does not agree with the proposal to make the technical correction to paragraph .39 of AR-C section 90 effective immediately. TIC feels that practitioners should be permitted adequate time to prepare for any changes to report wording (no matter how minor). This typically involves updating a firm’s internal templates to reflect any wording changes and communicating those changes throughout the firm. TIC would respectfully remind the ARSC that, in the past, when standards have been made immediately effective, significant pushback was received from firms. So, TIC would encourage the ARSC to consider leaving the effective date for this technical report correction the same as the effective date for the rest of the standard.	See Issue in Agenda item 2	
2	Effective Date	5 - GT	The Proposed Omnibus notes the technical correction to paragraph .39 of AR-C section 90, <i>Review of Financial Statements</i> , will be effective upon issuance of the Proposed Omnibus. While we appreciate this correction is intended to align the requirements with the illustrative report example, it would be inappropriate to assume that all written review reports align with the illustrative example as opposed to the requirements.	See Issue in Agenda item 2	

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			Accountants need a reasonable period of time to consider the impact and implement changes, particularly when those changes impact the requirements of the standard. As such, we strongly recommend that the Committee align the effective date of the technical correction to paragraph .39 with the effective date of the other changes to avoid unintended consequences and provide accountants and auditing software developers a reasonable period of time to implement the change in their manuals and templates.		

Proposed AR-C section 100, Special Considerations - International Reporting Issues

COMMENT NO.	Paragraph in the Exposure Draft or Topic	Commenter	Comments	Task Force Consideration of Comments	Change Made to Proposed SSARS?
3	10	7 - RSM	It is unclear from the exposure draft whether the practitioner is required in all circumstances to conduct the engagement in accordance with SSARS and the compilation or review standards of another country, and whether the practitioner is required to reference compliance with both sets of standards in all reports issued. It appears the Exposure Draft is intending to provide guidance on conducting and reporting on a review in accordance with dual standards that is similar to that in the interpretive guidance to the auditing standards issued in Statement on Auditing Standards No. 131, <i>Amendment to Statement on</i>		YES

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			<p><i>Auditing Standards No. 122 Section 700, “Forming an Opinion and Reporting on Financial Statements.”</i> However we believe there is opportunity to improve the explicit nature of the guidance so practitioners who do not also perform audit engagements do not unintentionally misinterpret the standards. We recommend changes such as the following to provide more explicit clarity in AR-C section 100:</p> <p>Paragraph .10 references the accountants’ requirement to understand and apply relevant standards, as well as SSARS. However, the requirement is provided in a long, complex sentence. We recommend moving some of the references to other standards to application guidance and restructuring the paragraph as follows (additions are shown in bold font and deletions are struck through):</p> <p>.10 If the accountant is engaged to perform a compilation or review of financial statements and the agreed-upon terms of the engagement require the accountant to apply the compilation or review standards of another country in addition to the compilation or review standards in SSARS, International Standard on Related Services 4410 (Revised), Compilation Engagements (ISRS 4410 (Revised)); or ISRE 2400 (Revised), Engagements to Review Historical Financial Statements (ISRE 2400 (Revised)), the accountant should obtain an understanding of and apply those relevant standards,</p>	<p>Retained the term “agreed-upon terms of the engagement” as such term is used in AR-C sections 80 and 90.</p> <p>Added “in addition to SSARSs” to make clear as suggested.</p>	

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			<p>as well as SSARSs, except for requirements related to the form and content of the report in the situation described in paragraph .11. (Ref: par. .A5– .A7)</p> <p>.AX Compilation or review standards of another country may include:</p> <ul style="list-style-type: none"> • International Standard on Related Services 4410 (Revised), • Compilation Engagements (ISRS 4410 (Revised)); or • Engagements to Review Historical Financial Statements (ISRE 2400 (Revised)) 		
4	11a	7 – RSM	<p>Adding the following language in paragraph .11.a.:</p> <p>iii. Reference to either SSARS or SSARS and another set of compilation or review standards (see paragraphs .13-.14)</p>	Agreed – revision made	YES
5	11b	7 – RSM	<p>Adding the following language in paragraph .11.b.:</p> <p>iv. The report states that the compilation or review was performed in accordance with SSARS and another set of compilation or review standards (see paragraphs .13-.14)</p>	Not necessary.	NO

Proposed Changes to AR-C Section 60

Proposed Revision to Definition of *Financial Reporting Framework* in paragraph .07 of AR-C section 60 Including Proposed Definition of *Fair Presentation Framework*

COMMENT NO.	Paragraph in the Exposure Draft or Topic	Commenter	Comments	Task Force Consideration of Comments	Change Made to Proposed SSARS?
6	Proposed revised definition	5 - GT	We acknowledge that the proposed inclusion of the definition of fair presentation framework is consistent with current auditing standards generally accepted in the United States of America. Nevertheless, we question the timing of the amendments to SSARS. We note that the Auditing Standards Board is currently evaluating the notion of fair presentation in the context of their project on assessing potential changes to AU-C section 800, <i>Special Purpose Frameworks</i> . As it is possible that further changes in this area will be proposed, we recommend that the Committee reconsider whether definitional changes in SSARS are needed at this time.		

Proposed Revisions to the Requirements and Guidance on the Accountant’s Consideration of Going Concern in a Review of Financial Statements.

COMMENT NO.	Paragraph in the Exposure Draft or Topic	Commenter	Comments	Consideration of Comments	Change Made to Proposed SSARS?
7	34i and 34k	7 – RSM	In the proposed changes to AR-C 90 paragraphs .34.i. and .34.k., the phrase “to the accountant” has not been included after the phrase “Management has disclosed.” The phrase “Management has disclosed to the account” is included in the extant sections of that paragraph when referring to items management is required to disclose to the accountant. Because the phrase “to the accountant” is not included in paragraphs .34.i. and .34.k., a practitioner could interpret that these disclosures are required to be made more broadly or believe there is an intentional difference in action due to the language construct, where we do not believe a difference was intended. Thus, in the proposed changes to .34.i. and .34.k., we recommend adding the full phrase “Management has disclosed to the accountant.” If the phrase “to the accountant” was intentionally omitted and there is intended to be a difference in application between .34.i. and .34.k. and other sections of paragraph .34 (e.g., .34.j.), we recommend application guidance be added to clarify what is intended to be performed.	Agreed and changes made as suggested.	YES
8	34m	7 - RSM	...as drafted, the Exposure Draft proposes the following additional written management representation in paragraph .34.m. of AR-C section 90, “Management has disclosed to the accountant all information relevant to use of the going concern assumption in the financial statements.” We believe management may deem it onerous to represent that <i>all</i> information relevant to use of the going concern assumption has been disclosed to the	The proposed representation is consistent with paragraph 62 (d) of ISRE 2400 (Revised) which reads as follows: 62. The practitioner shall also request management’s written representations that	NO

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			accountant, especially in circumstances where the going concern is clearly appropriate (e.g., the circumstances described in paragraph .A115). We believe it may be more appropriate for this representation to be revised to address proper disclosure in the financial statements, such as, “Management has disclosed to the accountant all of the matters of which it is aware that are relevant to the company’s ability to continue as a going concern, including significant conditions and events, and management’s plans.”	management has disclosed to the practitioner: ... (d) All information relevant to use of the going concern assumption in the financial statements;	
9	65-66	6 – Deloitte	<p>D&T recommends keeping the terminology and sentence structure for paragraphs 65 and 66 of AR-C 90 in the proposed ED the same as in paragraphs 16 and 17 of AU-C 930, respectively. We believe users will unnecessarily question ARSC’s intent when there are differences between the SSARSs and the Statements on Auditing Standards (SASs).</p> <p>Further, we recommend that the last sentence of paragraph 66 of AR-C 90 in the proposed ED, pertaining to situations where the applicable financial reporting framework does not specify a period of time for management’s evaluation, be moved and addressed earlier in AR-C 90 as the concept of “reasonable period of time” is already previously referred to in paragraph 65 of AR-C in the proposed ED. D&T suggests that the sentence should instead be added to the list of defined terms in paragraph 5 of AR-C 90. The defined term would also be cross-referenced to paragraph A117 of AR-C 90 in the proposed ED. This would be consistent with the approach taken in paragraph 11 of AU-C 570</p>	Agreed and changes made as suggested	YES

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			<p>where “reasonable period of time” is listed as a definition. An alternative would be to add the sentence as application material following paragraph A117 of AR-C 90 in the proposed ED.</p> <p>.65 If the applicable financial reporting framework includes requirements for management to evaluate the entity’s ability to continue as a going concern for a reasonable period of time in preparing financial statements, the accountant should perform review procedures related to (a) whether the going concern basis of accounting is appropriate, (b) management’s evaluation of whether there are conditions or events that raised substantial doubt about the entity’s ability to continue as a going concern, (c) management’s plans to mitigate matters if there are conditions or events that raised substantial doubt about the entity’s ability to continue as a going concern, <u>management’s plans to mitigate those matters</u>, and (d) the adequacy of the related disclosures in the financial statements.</p> <p>.66 If the applicable financial reporting framework does not include a requirement for management to evaluate the entity’s ability to continue as a going concern for a reasonable period of time in preparing financial statements and (a) conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time existed at the date of the prior period financial statements, regardless of whether the substantial doubt was alleviated by the accountant’s consideration of management’s plans or (b)</p>		

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			<p>in the course of performing review procedures on the current period financial statements, the accountant becomes aware of conditions or events that raise substantial doubt about the entity's ability to continue as a going concern, the accountant should do the following:</p> <ul style="list-style-type: none"> a. Inquire of management whether the premise that the entity will continue as a going concern <u>basis of accounting</u> for a reasonable period of time is appropriate; b. Inquire of management about its plans for dealing with the adverse effects of the conditions and events, <u>and</u> c. Consider the adequacy of the disclosure about such matters in the financial statements. <p>If the applicable financial reporting framework does not specify a period of time for management's evaluation, a reasonable period is within one year after the date the financial statements are issued (or within one year after the date that the financial statements are available to be issued, <u>when applicable</u>).</p>		
10	A118	6 - Deloitte	We recommend that paragraph A118 of AR-C 90 in the proposed ED be separated into two individual paragraphs where the	Changes made as suggested with the exception of the changes made for	YES

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			<p>examples of conditions and events are separately reflected in a subsequent application material paragraph. Consideration should be given by the ARSC to incorporating examples of:</p> <ul style="list-style-type: none"> (a) indicators that there may be substantial doubt about a governmental entity’s ability to continue as a going concern as reflected in paragraph A9 of AU-C 570, and (b) plans that management may implement to mitigate conditions or events that raise substantial doubt about an entity’s ability to continue as a going concern for a reasonable period of time as reflected in paragraph A8 of AU-C 570, and in paragraph A10 of AU-C 570 as it relates specifically to governmental entities. <p>Further, D&T recommends that the terminology in paragraph A118 of AR-C 90 in the proposed ED be aligned with paragraph A7 of AU-C 570 as follows:</p> <p>.A118 A review of financial statements ...</p> <ul style="list-style-type: none"> • <i>Negative trends.</i> For example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, and other adverse key financial ratios 	<p>governmental entities.</p>	

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			<ul style="list-style-type: none"> • <i>Other indications of possible financial difficulties.</i> For example, default on loan or similar agreements, arrearages in dividends, denial of usual trade credit from suppliers, <u>a need to</u> restructuring of debt <u>to avoid default</u>, noncompliance with statutory capital requirements, <u>and a</u> need to seek new sources or methods of financing or to dispose of substantial assets • <i>Internal matters.</i> For example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, <u>and a</u> need to significantly revise operations • <i>External matters that have occurred.</i> For example, legal proceedings, legislation, or similar matters that might jeopardize an entity's ability to operate; loss of a key franchise, license, or patent; loss of a principal customer or supplier; <u>and an</u> uninsured or underinsured catastrophe such as a <u>hurricane, tornado</u> drought, earthquake, or flood 		
11	A119	6 – Deloitte	D&T noted that the application material relating to disclosures includes information relevant to both the Financial Accounting Standards Board's Accounting Standards Codification and Governmental Accounting Standards Board statements, as reflected in paragraphs A42 and A43 of AU-C 570, respectively.	Changes made as suggested.	YES

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			<p>We recommend that the terminology be harmonized between the AR-C 90 and AU-C 570 to alleviate any unnecessary differences as follows:</p> <p>.A119 In considering the adequacy of disclosure, some of the information that may might be disclosed, <u>depending on the requirements of the financial reporting framework</u>, includes the following:</p> <ul style="list-style-type: none"> • Principal conditions and events <u>that raise substantial doubt</u> giving rise to the assessment of an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time • The possible effects of such conditions and events • Management's evaluation of the significance of those conditions and events <u>in relation to the entity's ability to meet its obligations</u> and any mitigating factors • Possible discontinuance of operations • Management's plans (including relevant prospective financial information) <u>that are intended to mitigate the conditions or events that raise substantial doubt about</u> 		

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			<p><u>the entity’s ability to continue as a going concern for a reasonable period of time</u></p> <ul style="list-style-type: none"> Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities 		
12	67, A120 - A121	6 - Deloitte	<p>D&T does not believe that the circumstances as described in paragraph 67 of AR-C 90 in the proposed ED are relevant. The circumstances as drafted are applicable in the context of an interim review as contemplated in AU-C 930, but for the purposes of AR-C 90 we believe that the concept of prior period reporting is not applicable because a review performed in accordance with the SSARSs is likely being conducted on an annual basis.</p> <p>D&T recommends that paragraph 67 of AR-C 90 in the proposed ED be deleted and replaced with paragraph 24 of AU-C 570, edited as applicable for use in the SSARSs. This is to ensure that based on the review procedures performed a going concern emphasis-of-matter paragraph is included in the accountant’s review report when the accountant concludes that substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time remains, regardless of the applicable financial reporting framework requirements.</p>	Changes made as suggested.	YES

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			<p>We recommend that the wording and examples in paragraphs A120 and A121 of AR-C 90 in the proposed ED are amended to more closely align with the revised and updated wording in paragraphs A52 and A54/A55 of AU-C 570, respectively. D&T also recommends adding an example to the proposed ED, similar to paragraph A53 of AU-C 570, to provide the user with illustrative wording where management is not required by the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists. This example has been included as application material in paragraph A120A.</p> <p><u>.67 (new) If, after considering conditions or events and management’s plans, the accountant concludes that substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time remains, the accountant should include an emphasis-of-matter paragraph in the accountant’s review report. (Ref. par. .A120 – .A121)</u></p> <p>A120 The following is an illustration of an <u>going concern</u> emphasis-of-matter paragraph <u>when (a)</u> the accountant may include in the accountant’s review report when the accountant concludes <u>substantial doubt exists about the entity’s ability to continue as a going concern for a reasonable period of time. (b) management’s plans do not alleviate the</u></p>		

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			<p><u>substantial doubt, and (c) the entity is required under the applicable financial reporting framework to include a statement in the notes to the financial statements</u> that management has adequately disclosed that substantial doubt exists:</p> <p><i>Emphasis of Matter Regarding Going Concern</i> The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations, and has a net capital deficiency, and has stated that substantial doubt exists that raises uncertainty about the Company's its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans in regard to regarding these matters are also described in Note X. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.</p> <p><u>.A120A The following is an illustration of a going concern emphasis-of-matter paragraphs when (a) the accountant concludes that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time, (b) management's plans do not alleviate</u></p>		

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			<p><u>the substantial doubt, and (c) the entity is not required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists.</u></p> <p><i><u>Emphasis of Matter Regarding Going Concern</u></i> <u>The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note X to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note X. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.</u></p> <p>.A121 If conditions or events, <u>considered in the aggregate</u>, have been identified during the review that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time; but, <u>based on the review evidence obtained, the accountant concludes that substantial doubt has been alleviated by management's plans</u>, (a) no statement relating to substantial doubt is</p>		

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			<p>included in the notes to the financial statements because management's plans have alleviated the substantial doubt or (b) the applicable financial reporting framework does not require inclusion of such statement in the notes to the financial statements, the accountant may include an emphasis-of-matter paragraph when <u>making reference to management's</u> has disclosed <u>disclosures related to the conditions or and events and management's plans related to those conditions and events</u> in the notes to the financial statements but a statement related to substantial doubt is not required to be included by the applicable financial reporting framework. The following is an illustration of an emphasis-of-matter paragraph when <u>management has disclosed (a) no statement relating to substantial doubt is included in the notes to the financial statements but conditions or events are disclosed, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time; (b) its evaluation of the significance of those conditions or events, considered in the aggregate, in relation to the entity's ability to meet its obligations; and (c) that the substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time has been alleviated by management's plans.</u></p> <p><i><u>Emphasis of Matter</u></i></p>		

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			As discussed in Note X to the financial statements, [the entity] Company has suffered recurring losses from operations and has a net capital deficiency. Management’s <u>evaluation of the events and conditions and management’s plans in regards to mitigate</u> these matters are also described in Note X. <u>Our conclusion is not modified with respect to this matter.</u>		
13	67	7 – RSM	<p>...we believe that while the wording is largely consistent with AU-C 930 paragraph .17, a reader may still find the requirements in paragraph .67 confusing. We therefore suggest that the paragraph be separated to address situations where the applicable financial reporting framework requires a statement about substantial doubt and where it does not. This will better enable the practitioner to identify the relevant guidance for each situation. For example, we recommend paragraph .67 as proposed be revised to read as follows (additions are shown in bold font and deletions are struck through):</p> <p>.67 The accountant should include an emphasis-of-matter paragraph in the accountant’s review report in any of the following circumstances, regardless of whether when the entity is required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists and management has included such a statement in the notes to the financial statements.: (Ref: par. .A120–.A122)</p>	The revisions made pursuant to Deloitte’s suggestion (see previous Consideration of Comments) addresses RSM’s concerns.	YES

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			<p>.XX Regardless of whether the entity is required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists, the accountant should include an emphasis-of-matter paragraph in the accountant’s review report when:</p> <p style="margin-left: 40px;">a. A going concern emphasis-of-matter paragraph was included in the prior period’s report and</p> <p style="margin-left: 80px;">i. the conditions or events giving rise to the emphasis-of-matter paragraph continue to exist and</p> <p style="margin-left: 80px;">ii. those conditions or events raise substantial doubt about the entities ability to continue as a going concern for a reasonable period of time and management’s plans do not alleviate them.</p> <p style="margin-left: 40px;">b. A going concern emphasis-of-matter paragraph was not included in the prior period’s report and</p> <p style="margin-left: 80px;">i. management is required under the applicable financial reporting framework to include a statement in the notes to the financial statements that substantial doubt exists and</p> <p style="margin-left: 80px;">ii. management has included such statement in the</p>		

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			<i>notes to the financial statements.</i>		
14	Suggested additional paragraphs	6 – Deloitte	<p>D&T recommends that paragraphs 25 and 26 of AU-C 570 be included as requirements when amending AR-C 90. Paragraph 25 of AU-C 570 relates to use of terminology and conditional language and we believe that AR-C 90 should similarly include this paragraph as a requirement (see new paragraph 67A below). Paragraph 67A should also be cross-referenced to the application material in paragraph A122 of AR-C 90 in the proposed ED. Further, D&T recommends that certain language in paragraph A122 of AR-C 90 in the proposed ED be updated and amended to align with that used in paragraph A56 of AU-C 570.</p> <p>Paragraph 26 of AU-C 570 addresses circumstances when the accountant should modify the accountant’s review report. While we acknowledge that paragraph 26 of AU-C 570 is essentially the same as paragraph A122 of AR-C 90 in the proposed ED, we believe it is more appropriate that this paragraph be reflected as a requirement in AR-C 90 as it provides additional clarity to the user by enhancing the readability of AR-C 90. Since A120 of AR-C 90 in the proposed ED already uses the phrase “the accountant is required to apply paragraph ...,” D&T believes it is appropriate to “elevate” the application material paragraph to a requirement (see new paragraph 67B below).</p> <p><u>.67A The emphasis-of-matter paragraph about the entity’s ability to continue as a going concern for a reasonable</u></p>		

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			<p><u>period of time should be expressed through the use of terms consistent with those included in the applicable financial reporting framework. In a going concern emphasis-of matter paragraph, the accountant should not use conditional language concerning the existence of substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time. (Ref. par. .A122)</u></p> <p>.A122 Examples of inappropriate wording in <u>use of conditional language</u> in an emphasis-of-matter paragraph when the accountant concludes that management has adequately disclosed that <u>conditions or events have been identified and</u> substantial doubt exists include the following:</p> <ul style="list-style-type: none"> • If the entity <u>Company</u> continues to experience recurring losses from operations and continues to have a net capital deficiency, there may be an uncertainty <u>substantial doubt</u> about its ability to continue as a going concern. • The entity <u>Company</u> has been unable to renegotiate its expiring credit agreements. Unless the <u>Company</u> is able to obtain financial support, there is an uncertainty <u>substantial doubt</u> about its ability to continue as a going concern. 		

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			<p><u>.67BA120 If adequate disclosure about an entity’s ability to continue as a going concern for a reasonable period of time is not made in the financial statements,</u> If the accountant determines that disclosure related to substantial doubt about the entity’s ability to continue as a going concern is inadequate, resulting in a departure from the applicable financial reporting framework, the accountant is required to should apply paragraphs .56—.60 regarding known departures from the applicable financial reporting framework.</p>		

Issues Related to the Proposed Amendment to AR-C section 90 Requirements When Referencing The Work of Other Accountants in an Accountant’s Review Report

COMMENT NO.	Paragraph in the Exposure Draft or Topic	Commenter	Comments	Consideration of Comments	Change Made to Proposed SSARS?
15	.79c	1 - TIC	<p>In paragraph .79c of the ED, TIC questioned the notion that, if the financial statements of another accountant are included in the reporting entities financials, should independence of the other accountant’s component entity be considered adequate for the consideration of independence for the combined or consolidated group financials, or would additional inquiry be needed in those circumstances? TIC believes that perhaps ARSC should consider whether some additional implementation guidance should be added for situations related to independence when it comes to component entities.</p> <p>TIC also thinks that perhaps the communication requirements in the audit standards regarding independence and component entities also should be added to this standard for consistency.</p>		
16	.A136	1 – TIC	TIC believes that the proposed paragraph .A136 should contain the term “financial reporting framework generally accepted in another country” in order to be more consistent with the other sections of proposed guidance.	<p>Paragraph .A136 of the proposed SSARS is consistent with paragraph .A55 of AU-C section 600, <i>Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i>.</p> <p>An inconsistency may create unintended confusion for practitioners who perform audits and reviews.</p>	NO