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## Auditing Standards Board (ASB) meeting, May 3-6, 2010 Ft. Worth, TX; Highlights (ASB) meeting, May 3-6, 2010

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## **AUDITING STANDARDS BOARD (ASB) MEETING**

**May 3-6, 2010**

**Ft. Worth, TX**

### **MEETING ATTENDANCE**

#### ASB Members

Darrel Schubert, *Chair*

Ernie Baugh

Sheila Birch

Brian Bluhm

Rob Chevalier

Jacob Cohen

David Duree

Charles Frasier

Andy Mintzer

David Morris

Kenneth Odom

Thomas Ratcliffe

Randy Roberts

Tom Stemplar

Mark Taylor

Steven Vogel

Phil Wedemeyer

Megan Zietsman

#### AICPA Staff

Charlie Blanton, *PD-Course Development (5/3)*

Mike Buddenbeck, *General Counsel & Trial Board*

Linda Delahanty, *Audit & Attest Standards (5/3-5/4)*

Mike Glynn, *Audit & Attest Standards*

Ahava Goldman, *Audit & Attest Standards*

Hiram Hasty, *Audit & Attest Standards*

Chuck Landes, *Audit & Attest Standards*

Richard Miller, *General Counsel & Trial Board*

Andrew Mrakovcic, *Audit & Attest Standards*

David Tolson, *PD-Course Development*

David Scott, *PD-Course Development*

Linda Volkert, *PCPS Technical Issues Committee*

Cheree Bishop, *PD-Course Development (5/6)*

#### Absent

Brian Richson (represented by Brian Croteau)

#### Observers and Guests

Doug Besch, *SEC*

Heather Doxey, *KPMG LLP*

Ed Bryant, *KPMG LLP*

Meeting Highlights ASB Meeting May 3-6, 2010
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Brian Croteau, *PricewaterhouseCoopers LLP*  
Julie Anne Dilley, *PricewaterhouseCoopers LLP*  
Robert Dohrer, *McGladrey and Pullen, LLP* (5/4)  
Ellen Gazley, *Ernst & Young LLP*  
George Fritz (5/5)  
Diane Hardesty, *Ernst & Young LLP*  
Jan Herringer, *BDO Seidman LLP*  
Maria Manasses, *Grant Thornton LLP*  
John May, *PricewaterhouseCoopers LLP* (5/3)  
Dan Montgomery, *Ernst & Young LLP* via teleconference  
Jason Keen, *Deloitte & Touche LLP*  
Mark Nichols, *Mayer Hoffman McCann P.C.*  
Jen Haskell, *Deloitte & Touche LLP*  
Jim Dalkin, *GAO* (5/4-5/6)  
Tammy Mooney, *Thomson Reuters*  
Richard A. Jones, *Weaver LLP* (5/3, 5/5)  
Terry E. Ford, *Weaver LLP* (5/3)  
Amy Habres, *Thomson Reuters* (5/3)  
Rick Call, *Thomson Reuters* (5/3)  
Michael A. Crawford (5/4-5/5)  
Sharon N. Romere-Nix, *Thomson Reuters* (5/4)  
Cheryl Hartfield, *Thomson Reuters* (5/4)  
Jerome T. Watts, (5/5)  
Claire Horneffer, *Thomson Reuters* (5/5)  
Kimberly Fransen, *Thomson Reuters* (5/5)  
Eric Lipnicky, *Thomson Reuters* (5/6)  
Joe Zamboni, *Thomson Reuters* (5/6)  
Ross Nette, *Thomson Reuters* (5/5)

## AGENDA ITEMS PRESENTED AT MEETING

### Chair's Report

Mr. Schubert gave an update of the PCAOB SAG meeting. Mr. Schubert reviewed the progress of the clarity project as described in the agenda material.

Mr. Schubert described the changes to the proposed effective date. The ASB unanimously agreed to change the effective date of the clarified SASs not yet issued (that is, not assigned a number) from periods *beginning* on or after December 15, 2010 to periods *ending* on or after December 15, 2012.

Mr. Schubert described the background for restricted-use report, and the AITF's conclusion that a task force should be appointed to clarify SAS 87 instead of dealing with it in other SASs. The ASB agreed with that approach.

Mr. Landes described the background of the TPA that was circulated for approval.

The ASB unanimously approved the highlights of the January meeting. .

### 1. Letters for Underwriters

Phil Wedemeyer, Chair of the Letters for Underwriters Task Force, led the ASB in a discussion of a revised draft of the proposed Statement on Auditing Standards (SAS), *Letters for Underwriters*.

With regard to the issues presented in May 2010, the ASB directed the Task Force to:

- Define requesting parties as “underwriters and other parties that are conducting a review process that is, or will be, substantially consistent with the due diligence process that would be performed if this securities offering were being registered pursuant to the Securities Act of 1933 (the Act).”;
- Not distinguish parties with a statutory due diligence defense under section 11 of the Act from other requesting parties other than underwriters; and
- Not require legal opinions with respect to parties that have a statutory due diligence defense under section 11 of the Act.

The ASB also requested the Task Force to require the procedures included as application material in paragraph A63, and require that the comfort letter indicate if, at the client's request, the unaudited condensed financial information was attached only to the copy of the letter intended for the managing underwriter

.

Other comments received included (paragraph references are to the May 2010 documents):

- Restrict the definitions to purposes of this proposed SAS
- Move the example of negative assurance from paragraph A8 to the definitions
- Revise paragraphs 9-11 to be consistent with the change to the definition of *requesting parties*

Meeting Highlights ASB Meeting May 3-6, 2010
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- Par. 20 – move essential guidance from paragraph A14..
- Par. 29 – add requirement to identify the securities offering.
- Par. 38 – revise to clarify what the auditor may and may not refer to regarding compliance with SEC requirements; move essential guidance from paragraph A43
- Par. 65 – change “refer to” to “characterize as”.
- Add application material (par. A1) that references in this proposed SAS to information that is included in a document are also to be read to encompass information that is incorporated by reference in that document, and delete phrase *incorporated by reference* elsewhere in proposed SAS.
- Require the procedures included as application material in paragraph A65
- Make certain editorial changes.

A revised draft will be brought to the June ASB meeting for vote to ballot for exposure.

## 2. Filings Under Federal Securities Statutes

Mr. May, Chair of the AU Section 711 Task Force (Task Force), led a discussion of the materials for Agenda Item 2, Proposed Statement on Auditing Standards *Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933* (proposed SAS). This agenda item was also discussed at the January 2010 ASB meeting. Based on comments raised, the Task Force prepared a revised draft document in revising SAS No. 37, *Filings Under Federal Securities Statutes* (AICPA, *Professional Standards*, vol. 1, AU sec. 711), in accordance with the clarity conventions. There is no ISA that corresponds to AU section 711.

Following is a summary of the significant issues discussed at the meeting:

- The proposed SAS requires the auditor to perform certain subsequent events procedures in proposed SAS *Subsequent Events and Subsequently Discovered Facts*, which includes separate definitions for subsequent events and subsequently discovered facts to clearly distinguish the auditor’s responsibilities for each. The ASB directed the Task Force to add modifying language in paragraphs 7a, 10, and 12 of the proposed SAS in order to be clear that the auditor is required to consider events occurring after the date of the auditor’s report.
- Paragraph 7c of the proposed SAS contains a requirement for the auditor who has audited the most recent period for which separate audited financial statements of the entity are included in a registration statement to inquire or extend oral or previous inquiries of the entity’s legal counsel. This requirement currently exists in paragraph 12 of SAS No. 1, section 560, *Subsequent Events* (AICPA, *Professional Standards*, vol. 1, AU sec. 560.12), and in paragraph 6 of SAS No. 12, *Inquiry of a Client’s Lawyer Concerning Litigation, Claims, and Assessment* (AICPA, *Professional Standards*, vol. 1, AU sec. 337.06).

However, proposed SAS *Subsequent Events and Subsequently Discovered Facts* (“proposed Subsequent Events SAS”), which clarifies AU section 560, changes this

*requirement. The proposed Subsequent Events SAS, in paragraph A6, indicates that “the auditor may consider it necessary and appropriate to... inquire or extend previous oral or written inquiries of the entity’s legal counsel concerning litigation, claims, and assessments...”* Proposed SAS Audit Evidence—*Specific Considerations for Selected Items* (“proposed Audit Evidence SAS”), which clarifies AU section 337, also changes this requirement. The proposed Audit Evidence SAS, in paragraph 18, indicates that “If the auditor assesses a risk of material misstatement regarding litigation or claims that have been identified, or when audit procedures performed indicate that other material litigation or claims may exist, the auditor should ... seek direct communication with the entity’s external legal counsel. ...”

The ASB believes that the requirement in paragraph 7c of the proposed SAS may be more of a risk management concern and, therefore, directed the Task Force to change the requirement to application and other explanatory material in order to remain consistent with the respective approaches taken with the proposed SASs in the paragraph above.

- The ASB questioned whether the situation described in paragraph 11 occurs in practice and directed the Task Force to consider whether it is more appropriate to focus the requirement on the withholding of the consent rather than the consideration of the need to obtain legal advice.

In addition, various editorial changes were suggested. The ASB unanimously voted to ballot the proposed SAS for exposure.

### **3. Association with Financial Statements**

Dan Montgomery, Chair of the Auditor’s Report Task Force, led the ASB in a discussion of AU section 504. The Task Force proposed that AU section 504 be withdrawn and its content addressed through conforming amendments to SSARS, to the extent needed, and in other SASs. SSARS will be asked to consider the conforming amendments at its August 2010 meeting.

The Task Force will bring a draft SAS containing the proposal to withdraw and the proposed conforming amendments to the ASB in July.

### **4. Interim Financial Information**

Brian Croteau, Chair of the Interim Financial Information Task Force (Task Force), led a discussion of the agenda materials. The Task Force has been charged with revising AU section 722, *Interim Financial Information* in accordance with the ASB clarity conventions.

With regard to the issues presented, the ASB

- Agreed with the revision to make the SAS applicable when the auditor audited the entity’s latest annual financial statements and the appointment of another auditor to audit the current year financial statements is not effective prior to the beginning of the period covered by the review. Since the SSARS will be amended such that the SSARS will not be applicable in such circumstances, the ASB directed that SAS 116 be amended

accordingly so that the revised applicability of SAS 116 and of the SSARS can be effective at the same time.

- Directed the Task Force to add application material that in circumstances when a written report will not be issued, the auditor may ask management to represent that a third party requires the review to be performed but does not require a written report.

In addition, the ASB also directed the Task Force to

- Change the reference in the review report regarding the standards that the review was performed in accordance with from *standards established by the AICPA* to *auditing standards generally accepted in the United States of America*, to more specifically identify the relevant standards.
- Make the proposed SAS effective for reviews of interim financial information for interim periods of fiscal years beginning after December 15, 2012
- Paragraph 7, add reference to paragraphs 12-15 of proposed SAS *Terms of Engagement*.
- Revise the wording of paragraph 27 to more clearly state when a written report is required.
- Combine paragraphs 36 and 37 to more clearly convey the actions required of the auditor.
- In the Exhibits to the proposed SAS, change the title of the report from *Independent Auditor's Review Report* to *Independent Accountant's Review Report*.
- Paragraph A5, revise the wording to align with paragraphs 11 and A6
- Paragraph A14, replace "information in a director's information package or in a senior committee's briefing materials" with "analyses prepared for management or those charged with governance"
- Paragraph A23, add "A review of interim financial information is not designed to identify conditions or events that may indicate substantial doubt about an entity's ability to continue as a going concern" and combine with paragraph A24. Revise wording referencing AU section 341.
- Paragraph A53, added a reference to clarified SAS *Audit Documentation* and a mention of the timing of the assembly of the final engagement files.
- Make various editorial changes.

The ASB voted unanimously to ballot the proposed SAS for issuance as an exposure draft.

## **5. Subsequent Events**

Ms. Birch, chair of the Subsequent Events Task Force (Task Force), led a discussion of the proposed SAS *Subsequent Events* (Redrafted). The objective of the presentation was to discuss the significant issues identified in the comment letters received in connection with the exposure draft issued in January 2009.

With regard to the issues presented in May 2010, the ASB directed the Task Force to:

- Include the guidance in paragraph 8 of AU 530, *Dating of the Independent Auditor's Report*, related to situations in which a subsequent event disclosed in reissued financial statements can be labeled unaudited.
- Modify the definition of subsequent events to align closer with the ISA. The ASB directed the Task Force to eliminate the following sentence from the definition: "The auditor is

concerned with subsequent events that require adjustment of, or disclosure in, the financial statements.”

- Maintain the requirements and guidance related to the predecessor auditor’s responsibility for report reissuance in comparative financial statements within the proposed SAS, including shortening and including separately the predecessor auditor’s objective.
- Add framework neutral guidance based on Technical Practice Aid TIS Section 8700.02, “Auditor Responsibilities for Subsequent Events.”
- Determine the appropriate requirements and guidance within the proposed SAS to address the auditor’s responsibilities related to litigation, claims, and assessments.
- Clarify the guidance in paragraph A16 by adding the full content, appropriately modified, of AU section 561.05(b), which considers whether there are persons currently relying or likely to rely on the financial statements who would attach importance to the information, including the time elapsed since the financial statements were issued.

The ASB also requested the Task Force to consider the application guidance related to dual-dating the auditor’s report. Although the application guidance is consistent with International Standards on Auditing, current practice is to dual-date the report with the same date as the subsequent event, and not the date the auditor completed the procedures in auditing the event.

Other comments received included (paragraph references are to the May 2010 documents):

- Paragraph 7, delete the definition of report release date, and instead, include a footnote reference to clarified SAS *Audit Documentation* (Redrafted) at first use.
- Paragraph 9, delete the phrase “occurring between the date of the financial statements and the date of the auditor’s report” because it is already included in the definition of subsequent events.
- Paragraph 12, replace “has no obligation” with “is not required to” for consistency with other proposals.
- Paragraph 13, replace “carry out” with “perform” for consistency with other proposals. Also, refer to the “original date of the auditor’s report,” in lieu of the “date of the original auditor’s report.”
- Paragraphs 16, 17 and 20, replace reference to “comply with” with “apply the requirements of,” which more clearly indicates the auditor’s responsibilities.
- Paragraph A2, include the phrase “unless new information contradicts the audit evidence obtained” in a separate sentence to align the guidance with the requirement.

A revised draft will be brought to the ASB to be voted for balloting for issuance as a final standard in June.

## **6. Group Audits**

Mr. Dohrer, chair of the Group Audits Task Force, led a discussion of the agenda material for proposed SAS *Audits of Group Financial Statements (Including the Work of Component Auditors)*. The objective of the presentation was to discuss the significant issues identified in the comment letters received in connection with the exposure draft of the proposed standard.



Following is a summary of the significant issues discussed:

- The ASB agreed with Task Force not to change auditor's report when dividing responsibility.
- The ASB discussed a concern that the approach in the proposed SAS to identifying significant components will lead to inefficient audits on multi-location audits because auditors will take a "bottom-up" approach. The Task Force will consider developing application material addressing audits of smaller, less complex entities. This topic will be addressed in the practice aid to be developed on group audits.
- The ASB discussed the use of the term *group engagement partner* and the IAASB's basis for conclusion for using that term rather than *group auditor*. Since there are certain requirements that apply to the partner with final responsibility for the report, a distinction between the auditor who is the engagement partner and the other auditors on the engagement is necessary; the ASB concluded to retain the terminology used in ISA 600.
- The ASB discussed component materiality and directed the Task Force to develop more guidance on component materiality; including component materiality with respect to a referred-to component and how that differs from the materiality the group engagement team sets, and component materiality with respect to equity method investees.
- The ASB discussed whether significant components should be based on *significant* risks of material misstatements *of* the group financial statements or risks of material misstatement *significant to* the group financial statements, and whether the difference warrants divergence from ISA 600.

The ASB directed the Task Force to

- Par. 5 – delete sentence describing the requirements addressed to the group engagement partner, and add a footnote referencing paragraph 13 of clarified SAS *Overall Objectives of the Independent Auditor*
- Definition of *component materiality* – consider inserting "to be acceptable" before "for purposes of the group audit."
- Par. 15 - consider clarifying that "use of a component auditor's work" includes dividing responsibility
- Par. 25 – modify to allow for the use of governmental restricted-use reports as provided for in the State and Local Government Audit Guide
- Par. 27, A54, A55 – consider eliminating the use of phrase *division of responsibility* or *divided responsibility*
- Par. 40 – consider moving the requirement to communicate even when there is no expectation of getting answer, to be applicable only when dividing responsibility, or to adding application material that the auditor may ask the referred-to auditor for these things if there is an expectation that an answer will be received.

<p style="text-align: center;">Meeting Highlights ASB Meeting May 3-6, 2010</p>
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- Par. A13 – clarify the wording so that this does not seem like a hidden requirement, and consider if this paragraph is more appropriately placed after paragraph A20.
- Par. 52 – Consider developing application material describing the auditor’s latitude in determining significance and what an audit adapted as necessary to meet the needs of the group engagement team means in this context.

The ASB also requested that a summary of requirements that apply only to group engagement partner be included with the agenda materials when this is brought back to the ASB.

Other comments received included:

- Par. 7 – change “this” to “detection risk”
- Par. 8 – change “may decide” to “is responsible for deciding”
- Par. 10a – insert “and, if so,”
- Par. 11 –
- definition of component auditor: change “an unrelated firm” to “another firm”
- Definition of group engagement partner: delete “who will both be signing the auditor’s report on the group financial statements” from definition of joint auditor
- Par. 22 – insert “if any” after “the extent”
- Par. 45 – insert “or brought to its attention by a component auditor” after “identified by the group engagement team” to allow government auditors to include the deficiencies identified by component auditors to whom reference is being made
- Par. A46 – added reference to PCAOB.
- Par. A88 – conform the illustrative report to proposed SAS *Forming an Opinion on Audited Financial Statements*
- Par. A93 – consider moving to be the first exhibit

A revised draft will be brought to the ASB to be voted for balloting for issuance as a final standard in July.

## **7. Quality Control**

Sheila Birch, member of the Quality Control Task Force, led a discussion of the proposed SAS, *Quality Control for an Audit of Financial Statements*, and of the proposed Statement on Quality Control Standards (SQCS), *A Firm’s System of Quality Control*. The objective of the presentation was to discuss the significant issues identified in the comment letters received in connection with the exposure draft of these proposed standards.

The following are the highlights of the significant matters discussed.

### SQCS, A Firm’s System of Quality Control

- Definition of network and network firm refers to the definitions in the Code of Professional Conduct, which have been finalized.
- The ASB directed the task force to add application material addressing that, while each element is required to have policies and procedures that are designed to provide

reasonable assurance, whether a system of internal control is operating effectively may be assessed for the system as a whole.

- The ASB discussed the inclusion of the requirements related to engagement quality control review and made no changes.
- The ASB directed the task force to add application material addressing the assembly of final engagement files when no report will be issued.
- Certain editorial changes were made.

#### SAS, *Quality Control for an Audit of Financial Statements*

- The ASB directed that the title as exposed be retained.
- Interim reviews was added to the first paragraph as an example of an engagement other than an audit conducted in accordance with generally accepted auditing standards.
- The reference in paragraph 2 to *Governmental Auditing Standards* should be revised to more accurately reflect what is incorporated in *Governmental Auditing Standards*, and the discussion in paragraph A7 about independence with respect to audits of governmental entities should be revised based on recent changes to *Governmental Auditing Standards*,
- The ASB requested that a summary of the requirements specifically applicable to the engagement partner in this proposed SAS be included with the agenda materials when this proposed SAS is brought back to the ASB.

Revised drafts will be brought to the ASB at its July meeting.

## **8. Special Reports**

Mr. Chevalier, Chair of the Special Reports Task Force, acknowledged Susan Jones, immediate past chair of the Task Force. Ms. Manasses, led a discussion of the materials for Agenda Item 8 *Special Reports*.

#### *Special Purpose Frameworks*

With regard to the issues presented in May 2010, the ASB agreed with the Task Force to:

- Limit the definition of special purpose frameworks to the four frameworks (cash, tax, regulatory, and contractual), as proposed. The ASB was silent on whether additional examples of such frameworks were needed. The ASB also did not conclude where the rationale for removing the category related to “the definite set of criteria having substantial support that is applied to all material items appearing in financial statements” could be provided.
- Not include the statement “Ordinarily, a modification would have substantial support if the method is equivalent to the accrual basis of accounting for that item and if the method is not illogical” as it relates to the definition of the cash basis of accounting. The ASB did not believe this would cause an inconsistency with Statement on Standards for Accounting and Review Services No. 19.
- Eliminate the new definitions related to regulatory basis statements (regulatory basis – general use statements and regulatory basis – restricted use statements), as the definitions

caused more confusion. In this regard, the requirements and application guidance would also need to be modified to align with the language that was originally proposed.

- Maintain the requirements related to reports prescribed by law or regulation within the proposed SAS; however, include application guidance in the proposed SAS *Forming an Opinion and Reporting on Financial Statements* that references these requirements.
- Address the guidance provided by paragraphs .23 through .26 of AU section 623, *Special Reports*, related to financial statements prepared on a basis of accounting prescribed in an agreement or regulatory provision that results in an incomplete presentation but one that is otherwise in accordance with GAAP within the proposed SAS *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*.

Other comments received included (paragraph references are to the May 2010 documents):

- Paragraph A19, remove the added parenthetical reference to “quantitative and qualitative.”
- Paragraph A25, change “issue an opinion” to “express an opinion.”
- Exhibit A, consider adding guidance related to “presentation,” as currently provided by extant Interpretation No. 14, “Evaluating the Adequacy of Disclosure and Presentation in Financial Statements Prepared in Conformity With an Other Comprehensive Basis of Accounting (OCBOA).”

#### Single Financial Statements and Elements

With regard to the issues presented in May 2010, the ASB agreed with the Task Force to:

- Maintain the requirements and guidance related to audit procedures on interrelated items to obtain sufficient appropriate audit evidence about financial position, or financial position or results of operations.
- Not include a table of reporting requirements, similar to the proposed SAS *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, as the table would be, in some respects, duplicative.

Other comments received included (paragraph references are to the May 2010 documents):

- Paragraph 17, modify the reference to “as required by paragraph 16;” consider “in accordance with.”
- Paragraph A4, eliminate the new paragraph that was added related to considerations specific to governmental entities, as it does not belong in the proposed SAS.
- Paragraph A8, delete the added language “when the auditor is not also engaged to audit the entity’s complete set of financial statements.”
- Paragraph A17, consider the order of the last two sentences.

#### Summary Financial Statements

With regard to the issues presented in May 2010, the ASB agreed with the Task Force to:

Meeting Highlights  
ASB Meeting May 3-6, 2010

- Include an additional objective related to the performance of procedures and also modify the objective related to forming an opinion by clarifying the type of opinion to be expressed.
- Include the requirements in ISA 810, *Engagements to Report on Summary Financial Statements*, related to association within the proposed SAS.
- Broaden the proposed SAS to also apply to selected financial data and provide an example of such data, particularly related to the not-for-profit industry.
- Maintain the form of auditor's opinion that the summary financial statements are consistent, in all material respects, with the audited financial statements from which they have been derived, as proposed.
- Maintain the requirement for the audited financial statements to be "readily available," as that term has been defined in SAS 116 *Interim Financial Information*.

The ASB also requested the Task Force to eliminate the reference to a "denial of opinion." The ASB concurs with the form of opinion that it is inappropriate to, and the auditor does not, express an opinion; however, the ASB believes it is not necessary to introduce this new term within the auditing literature.

Other comments received included (paragraph references are to the May 2010 documents):

- Paragraph 9(b), combine items (ii) and (iii) related to the availability of the audited financial statements.
- Paragraph 9(c), refer to the form of "report" rather than the form of "opinion."
- Paragraph 12(b), clarify that the requirement to obtain a management representation related to the availability of the audited financial statements is only needed when the audited financial statements will not accompany the summary financial statements.
- Paragraph 22, modify the requirement or provide application guidance that is consistent with the extant standard when a qualified opinion on the financial statements was issued in order for the auditor to consider the appropriateness of reporting on the summary financial statements in such circumstances.

Revised drafts will be brought back to the ASB to vote to ballot for issuance as final standards.

## **9. Related Parties**

Mr. Fritz, Chair of the Related Parties Task Force (Task Force), led a discussion of the comments received as a result of the exposure of the proposed SAS, *Related Parties*, and the related revisions to the proposed SAS.

With regard to the issues presented in May 2010, the ASB agreed with the Task Force

- That the definition of *related parties* as presented in the exposure draft is appropriate and that the related application material provides sufficient guidance with sufficient guidance with respect to GAAP frameworks as well as special purpose frameworks. The ASB agreed that there is no need to specify which GAAP would apply as that would be apparent to the auditor. In addition, since all of the GAAP definitions are substantially the same, there would be nothing to be gained from choosing an alternative GAAP.

<p style="text-align: center;">Meeting Highlights ASB Meeting May 3-6, 2010</p>
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- That the Task Force has appropriately provided guidance for auditors of governmental entities.

The ASB directed the Task Force to:

- Consider adding application material addressing considerations specific to auditing related parties of a governmental entity
- Paragraph 20 – Delete the final sentence stating “When indicated circumstances exist, these audit procedures should include those specified by paragraphs 21-24.”
- Paragraph 27 – continue to not include any reference to SAS 103, as it is not necessary
- Paragraph A4 – reference to “a higher risk of material misstatement” should be changed to “an increased risk of material misstatement.”
- Paragraph A29 – in response to a concern that the application paragraph read like a requirement, the lead in should be revised to state “Relevant related party information shared with the engagement team members may include the following:”

The Task Force will bring a revised draft SAS to the ASB meeting in July 2010. At that time, the ASB will consider whether to vote to ballot to issue the SAS.

## **10. Auditing Accounting Estimates**

Ms. Zietsman, Chair of the Accounting Estimates Task Force (Task Force), led a discussion of of the comments received as a result of the exposure of the proposed SAS *Auditing Accounting Estimates* and the related revisions to the proposed SAS. The Task Force had not identified any issues for discussion by the ASB as a result of the twenty-one comment letters received.

The ASB reviewed the proposed SAS and had no substantive comments. The Task Force will bring the proposed SAS to the ASB for issuance as a final standard at its July meeting.

The meeting adjourned at noon on Thursday, May 6, 2010.