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Auditing Standards Board (ASB) meeting, October 25-26, 2011, New York, NY; Highlights (ASB) meeting, October 25-26, 2011

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AUDITING STANDARDS BOARD (ASB) MEETING

October 25-26, 2011

New York, NY

MEETING ATTENDANCE

ASB Members

Darrel Schubert, *Chair*
Ernie Baugh
Brian Bluhm
Rob Chevalier
Sam Cotterell (10/25 only)
Jim Dalkin
David Duree
Ed Jolicoeur
David Morris
Kenneth Odom
Tom Ratcliffe (by phone)
Brian Richson (by phone)
Tom Stemlar
Mark Taylor
Kim Tredinnick
Steven Vogel
Phil Wedemeyer
Kurtis Wolff
Megan Zietsman

AICPA Staff

Linda Delahanty, *Audit & Attest Standards*
Mike Glynn, *Audit & Attest Standards*
Ahava Goldman, *Audit & Attest Standards*
Hiram Hasty, *Audit & Attest Standards*
Chuck Landes, *Audit & Attest Standards*
Linda Volkert, *PCPS Technical Issues Committee*
Andy Mrakovcic, *Audit & Attest Standards*
Richard Miller, *Special Counsel*
Judith Sherinsky, *Audit & Attest Standards*

Observers and Guests

Richard Davisson, *McGladrey & Pullen LLP*
Julie Anne Dilley, *PricewaterhouseCoopers LLP*
Lynford Graham (10/26 only)
Diane Hardesty, *Ernst & Young LLP*
Jen Haskell, *Deloitte & Touche LLP*
Jan Herringer, *BDO Seidman LLP*
Frances Kuhne, *KPMG LLP*
Maria Manasses, *Grant Thornton LLP*
Michael Santay, *Grant Thornton LLP*
Mark Schumacher, *KPMG LLP*
Kay Tatum, *The University of Miami*
Joseph Trainor, *St. John's University*

Mr. Schubert welcomed three incoming ASB members observing the meeting (Ms. Haskell, Mr. Santay, and Ms. Tatum) and discussed issues of interest to the ASB, including a joint meeting between representatives of the PCAOB, GAO and ASB, and his participation in an SEC roundtable on conflict minerals.

Mr. Landes and Mr. Dalkin discussed issues of independence related to Rule 101-3 and differences between the Yellow Book and AICPA rules relating to independence.

Mr. Landes discussed the AICPA Council's directive to the AICPA Board of Directors to look at establishing a comprehensive framework for private companies, and raised the possibility of putting back into the definition of a special purpose framework "a definitive set of criteria having substantial support."

Mr. Hasty reported on the task force working with CAQ on the comment letter to the PCAOB on auditor's reports, specifically the disclosure of the name of the engagement partner. CAQ has hired law firm to look at any related liability. Mr. Schubert noted that PCAOB has been very active and the ASB needs to consider what to do for practitioners in the US environment to avoid unnecessary differences with the PCAOB.

The ASB was briefly updated on the work of the Strategic Planning Task Force.

The highlights of the July 2011 ASB meeting were unanimously approved.

AGENDA ITEMS PRESENTED AT MEETING

1. Going Concern

Mr. Richson, chair of the Going Concern Task Force, led the ASB in a discussion of the proposed SAS. The ASB discussed the effective date and decided to retain the December 15, 2012 date but not offer the option of early implementation. The ASB directed that the exposure draft be issued by November 15 with a comment period ending January 31.

The ASB directed the Task Force to make the following changes:

- Par. 3 – delete reference to disclosures in the last sentence
- Par. 6 – bullet *a*, move "based on the evidence obtained" after "conclude," and end after "period of time," deleting the sub-bullets
- Par. 12 – add a requirement for the auditor to consider the need for disclosure.
- Par. 18 (19) – change heading from "Subsequent Period Considerations" to "Comparative Presentations"
- Par. 19 (20) – revise wording to clarify that the request is to reissue to eliminate the going concern emphasis-of-matter paragraph, and add a requirement to consider the implications for the auditor's report.

- Par. 20 (21) – revise bullets *d* and *e* to more clearly state the requirements to document the auditor’s consideration of the need for disclosure and the auditor’s conclusion with respect to the effects on the auditor’s report
- Par. A4 – delete the guidance related to prospective financial statements.
- Make certain editorial changes

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

2. Restricted Use Reports

Mr. Wedemeyer led a discussion of a revised draft of the proposed SAS, *Alert That Restricts the Use of an Auditor’s Written Communication*.

The ASB directed that the scope of the SAS make clear that the alert, when included in an auditor’s report, is an other-matter paragraph. In addition, the ASB directed that the scope paragraph be clear that the proposed SAS applies when language that restricts the use of the auditor’s written communication is required or when the auditor decides to include such an alert in the auditor’s report or other written communication issued by the auditor in connection with an engagement conducted in accordance with GAAS.

After additional discussion and consideration of other editorial revisions, the ASB unanimously voted to ballot the proposed SAS for issuance as a final standard.

3. Planning for Joint AITF/FASB Meeting

In preparation for a joint meeting of the AITF with the FASB on Thursday, October 27, the ASB discussed topics on that meeting’s agenda, including management’s responsibility to assess the entity’s ability to continue as a going concern, and the meaning of “auditability.”

Other Issues

The ASB discussed an issue raised by the GAO regarding which auditing standards would apply when a re-audit is performed: the standards in effect during the period covered by the financial statements, or the standards in effect when the re-audit is performed. The ASB agreed that for practical purposes it is permissible to use the standards in effect when the re-audit is performed. The ASB decided that it is not necessary to issue any guidance on this question pending further inquiries from practitioners.

The meeting adjourned at 3:00 pm.