

Substantive Differences Between the International Standards on Auditing and Generally Accepted Auditing Standards



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† Statement on Auditing Standards (SAS) No. 126, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern (Redrafted)*, redrafts AU section 341 so that it is consistent with the format of the other clarified SASs (SAS Nos. 117–120 and 122–125) that have been issued. SAS No. 126 has been included in section 570, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*. The ASB decided to delay convergence of section 570 with ISA 570, Going Concern, however, pending the FASB's anticipated development of accounting guidance addressing going concern.

This analysis was prepared by the AICPA Audit and Attest Standards staff to highlight substantive differences between the Statements on Auditing Standards and International Standards on Auditing, and the rationales therefore. This analysis is not authoritative and is prepared for informational purposes only. It has not been acted on, or reviewed by, the Auditing Standards Board.

Statements on Auditing Standards (SASs) are issued by the Auditing Standards Board (ASB), the senior technical body of the AICPA designated to issue pronouncements on auditing matter for nonissuers.¹ Rule 202, *Compliance With Standards* (ET sec. 202 par. .01), of the AICPA Code of Professional Conduct requires an AICPA member who performs an audit of a nonissuer to comply with standards promulgated by the ASB.

In 2007, the ASB began a project to clarify its standards to make them easier to read, understand, and apply, and to converge its standards with those developed by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). Accordingly, the ASB established clarity drafting conventions and has revised all its SASs in accordance with those conventions, using corresponding International Standards on Auditing (ISAs) as a base. Each clarified SAS differs from its corresponding ISA only where the ASB believes compelling reasons exist for the differences. As described in this appendix, nearly all ISA requirements are also requirements of auditing standards generally accepted in the United States of America (GAAS). However, GAAS contain additional requirements that address issues specific to the United States of America or have been retained from previous SASs.

An AICPA member practicing in the United States of America may be engaged to audit the financial statements of a nonissuer in accordance with the ISAs. In those circumstances where the auditor's report states that the audit was conducted in accordance with the ISAs, the U.S. auditor should comply with both the ISAs and, as required by the AICPA Code of Professional Conduct, GAAS. An engagement of this nature is normally conducted by performing an audit in accordance with GAAS plus performing any additional procedures required by the ISAs.

¹ The term issuer means an issuer (as defined in Section 3 of the Securities Exchange Act of 1934 [15 USC 78(c)]), the securities of which are registered under Section 12 of that act (15 USC 78(l)), or that is required to file reports under Section 15(d) (15 USC 78o(d)), or that files or has filed a registration statement that has not yet become effective under the Securities Act of 1933 (15 USC 77a et seq.), and that it has not withdrawn. The term nonissuer refers to any entity not subject to the Sarbanes-Oxley Act or the rules of the Securities and Exchange Commission.

The purpose of this appendix is to assist the U.S. auditor in planning and performing an engagement in accordance with the ISAs. This document provides a brief description of how each ISA differs from the comparable U.S. standard. However, to fully understand how the ISA might affect the nature, timing, and extent of the procedures performed in an engagement in accordance with GAAS, the auditor should consider the ISAs in their entirety by considering the standards together with the related guidance included in the ISAs. In performing an audit in accordance with the ISAs, the auditor also needs to comply with IFAC's Code of Ethics.

This analysis compares the ISAs included in the 2010 edition of the *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*, to the AICPA's *Professional Standards*. References to GAAS are made to the relevant AU-C sections. This analysis describes the differences in terms of

- a. differences in language,
- b. requirements in the ISAs not in GAAS,
- c. requirements in GAAS not in the ISAs,
- d. differences between requirements, and
- e. the placement of certain requirements within GAAS.

General

In converging with the ISAs, the ASB has made various changes to the language of the ISAs throughout the SASs. Such changes have been made to use terms applicable in the United States and to make the SASs easier to read and apply in the United States. The ASB believes that such changes do not create differences between the application of the ISAs and the application of GAAS. Selected changes are described in the analysis that follows.

ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing, Compared to Section 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards

Requirements in the ISAs Not in GAAS

The ISAs provide for reporting on financial statements that are prepared in accordance with fair presentation financial reporting frameworks and compliance financial reporting frameworks. In the ISAs, compliance frameworks do not necessarily require fair presentation. GAAS address reporting on financial statements that are prepared in accordance with fair presentation frameworks only, because the ASB believes that fair presentation frameworks are the only financial reporting frameworks used in the United States.

Requirements in GAAS Not in the ISAs

GAAS, as described in paragraph .23 of section 200, contain two categories of professional requirements: unconditional requirements and presumptively mandatory requirements. Paragraph .23 of section 200 describes the auditor's obligation to comply with (1) an unconditional requirement in all cases where such requirement is relevant, and (2) a presumptively mandatory requirement in all cases where such a requirement is relevant except in rare circumstances. The ISAs contain only one category of professional requirements, with which paragraphs .22–.23 of ISA 200 require the auditor to comply when such requirements are relevant except in rare circumstances. The ASB retained two categories of professional requirements so as not to create unnecessary differences with the application of the auditing standards promulgated by the Public Company Accounting Oversight Board (PCAOB), which contain the same two categories of professional requirements as described in section 200.

Paragraphs .25–.26 of section 200 contain requirements relating to interpretive publications and other auditing publications. The ISAs do not address interpretive publications or other auditing publications.

ISA 210, *Agreeing the Terms of Audit Engagements*, Compared to Section 210, *Terms of Engagement*

Requirements in the ISAs Not in GAAS

Paragraphs 11–12 of ISA 210 contain requirements relating to situations when law or regulation prescribes management’s responsibilities. Paragraph 18 of ISA 210 contains requirements relating to situations when law or regulation supplements financial reporting standards established by an authorized or recognized standards- setting organization. The ASB believes that these situations are not applicable to nonissuers in the United States and, accordingly, such requirements are not included in GAAS.

Requirements in GAAS Not in the ISAs

Paragraphs .11–.12 of section 210 address the auditor’s communications with predecessor auditors in initial audit or reaudit engagements. ISA 210 does not contain these requirements. The ASB believes these requirements and related application material are appropriate for inclusion in GAAS.

Paragraph 13 of ISA 210 requires that for recurring audits, the auditor should assess whether there is a need to remind the entity of the existing terms of the engagement. Paragraph .13 of section 210 requires the auditor to remind the entity of the existing terms of the engagement and to document the reminder. The ASB believes that it is important to review the terms of the engagement with the entity each year.

Placement of Certain Requirements Within GAAS

Paragraphs 19–20 of ISA 210 contain requirements relating to situations when the financial reporting framework is prescribed by law or regulation. These requirements are addressed in section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*. The different placement of these requirements does not create differences between the ISAs as a whole and GAAS as a whole.

ISA 220, *Quality Control for an Audit of Financial Statements*, Compared to Section 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*

Requirements in the ISAs Not in GAAS

Paragraph 21 of ISA 220 contains requirements relating to audits of listed entities. Such requirements are not applicable to audits of nonissuers in the United States and, accordingly, such requirements are not included in GAAS.

Differences Between Requirements

Paragraph .21 of section 220 requires that when an engagement quality control review is performed, the engagement quality control review be completed before the engagement partner releases the auditor’s report. Paragraph 19 of ISA 220 requires that the quality control review be completed before the engagement partner dates the auditor’s report. The ASB believes that an engagement quality control review is an independent review of the engagement team’s significant judgments, including the date selected by the engagement team to date the report. As noted in the application material to section 220, when the engagement quality control review results in additional procedures being performed, the date of the report would be changed.

ISA 230, *Audit Documentation*, Compared to Section 230, *Audit Documentation*

Requirements in GAAS Not in the ISAs

Paragraph .10 of section 230 requires the auditor to include abstracts or copies of significant contracts or agreements in documentation of auditing procedures related to inspection of those significant contracts or agreements. ISA 230 does not require the auditor to include abstracts or copies of the entity’s records. Paragraph A3 of ISA 230 (which is application material relating to the requirement

in paragraph 8 of ISA 230, which corresponds to paragraph .08 of section 230) states, “the auditor may include abstracts or copies of the entity’s records (for example, significant and specific contracts and agreements) as part of audit documentation.”

When performing auditing procedures related to inspection of significant contracts or agreements, the ASB believes that, in the context of the preparation of audit documentation that is sufficient to enable an experienced auditor to understand the audit evidence obtained, it is important to include abstracts or copies of such contracts or agreements. Further, the PCAOB standards include a requirement that documentation of auditing procedures related to the inspection of significant contracts or agreements should include abstracts or copies of the documents.² The ASB does not want to create a difference with PCAOB standards in this regard.

Differences Between Requirements

Paragraph 14 of ISA 230 requires the auditor to assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor’s report, and the related application and other explanatory material indicates that an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor’s report. Paragraph .16 of section 230 requires the auditor to assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis, no later than 60 days following the report release date. The auditor is required by paragraph .15 of section 230 to document the report release date in the audit documentation.

Paragraph 15 of ISA 230 requires that after the assembly of the final audit file has been completed, the auditor not delete or discard audit documentation of any nature before the end of its retention period. Paragraph A23 of ISA 230 states, “the retention period for audit engagements is ordinarily no shorter than five years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.” Paragraph .17 of section 230 requires that after the documentation completion date, the auditor not delete or discard audit documentation before the end of the specified retention period, and goes on to state that “such retention period, however, should not be shorter than five years from the report release date.”

The ASB believes that it is appropriate to be consistent with the standards of the PCAOB in relation to the date from which the documentation completion and retention periods are measured.³ Notwithstanding that the documentation completion period is measured from the same date in GAAS and in the PCAOB standard, the ASB continues to believe that a 60-day period is appropriate for GAAS as opposed to the 45-day period in the PCAOB standard.

ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*, Compared to Section 240, *Consideration of Fraud in a Financial Statement Audit*

Differences in Language

Paragraph 11 of ISA 240 and paragraph .11 of section 240 define *fraud*. However, the definition of fraud in paragraph .11 of section 240 was revised by changing the words “to obtain illegal or unjust advantage” to “results in a misstatement in financial statements that are the subject of an audit.” The ASB believes that (a) the definition in ISA 240 is too broad and could inappropriately expose auditors to additional liability in the United States, and (b) the meaning of *unjust* could be interpreted very broadly and subjectively in its application and could imply a scope well beyond the intent of the standard. The ASB believes that the change in the definition does not create significant differences between the application of ISA 240 and the application of section 240.

² Paragraph 10 of PCAOB Auditing Standard No. 3, *Audit Documentation* (AICPA, *PCAOB Standards and Related Rules*, Auditing Standards).

³ Paragraphs 14–15 of PCAOB Auditing Standard No. 3.

Requirements in GAAS Not in the ISAs

Section 240 contains requirements, consistent with requirements of SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*, as amended, that have been expanded from the requirements of ISA 240, or elevated from application material in ISA 240, as follows:

- The requirement in paragraph 14 of ISA 240 for the auditor to investigate inconsistent responses to auditor inquiries of management or those charged with governance has been expanded in paragraph .14 of section 240 to also include responses that are otherwise unsatisfactory (for example, vague or implausible responses).
- The requirement in paragraph 15 of ISA 240 that requires members of the engagement team to discuss the susceptibility of the entity's financial statements to material misstatements has been expanded in paragraph .15 of section 240 to include additional discussion items from application and other explanatory material in ISA 240 to requirements in section 240. These include a required brainstorming session focused very specifically on, among other things, internal and external fraud factors and the possibility of management override of controls. In addition, section 240 further clarifies the requirement for participation of key engagement team members and the engagement partner in the discussion and brainstorming sessions. Lastly, section 240 requires appropriate communication throughout the audit among the engagement team members. Several of these discussion items have been elevated from paragraphs A10–A11 of ISA 240.
- The requirement in paragraph 44 of ISA 240 to document the significant decisions reached during the discussion among the engagement team regarding fraud-related matters has been expanded in paragraph .43 of section 240 to also require documenting how and when the discussion occurred and the audit team members who participated.
- Procedures elevated from paragraph A18 of ISA 240 to requirements in paragraph .19 of section 240, related to making inquiries of internal audit as part of performing risk assessment procedures, include determining (a) whether internal audit has performed any procedures to identify or detect fraud during the year, and (b) whether management has satisfactorily responded to any findings resulting from these inquiries.
- The requirement in paragraph 34 of ISA 240 to evaluate whether the results of analytical procedures at or near the end of the reporting period indicate a previously unrecognized risk of material misstatement due to fraud has been expanded in paragraph .34 of section 240 to include the accumulated results of auditing procedures, including analytical procedures performed as substantive tests or when forming an overall conclusion. Section 240 also specifically requires performance of analytical procedures relating to revenue accounts through the end of the reporting period, in light of the generally higher risk of financial statement fraud involving revenue.
- The requirements in paragraph 32(a) of ISA 240 address designing and performing auditing procedures to test the appropriateness of journal entries. In addition to essential guidance about addressing the risk of possible management override of controls, included in paragraph .32a of section 240 are requirements to
 - obtain an understanding of the entity's financial reporting process and controls over journal entries and other adjustments, and determine whether such controls are suitably designed and have been implemented.
 - consider fraud risk factors, the nature and complexity of accounts, and entries processed outside the normal course of business, elevated from the application and other explanatory material contained in paragraph A43 of ISA 240 in order to emphasize the importance of these considerations.
 - include identification and testing of specific journal entries regardless of controls.
- The requirement for the auditor to design and perform auditing procedures to review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud, in paragraph 32(b) of ISA 240, has been expanded in paragraph .32b of section 240 to include those estimates that are based on highly sensitive assumptions.

ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*, Compared to Section 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*

Differences in Language

Changes to the language of section 250 include:

- In paragraphs .10a and .13, changing the phrase “compliance with the provisions of those laws and regulations generally recognized to have a direct and material effect on the determination of material amounts and disclosures in the financial statements” to the phrase “material amounts and disclosures in the financial statements that are determined by the provisions of those laws and regulations generally recognized to have a direct effect on their determination.” This change was made to address the ASB’s concerns that the language in ISA 250 expanded the auditor’s responsibility to encompass all aspects of those laws and regulations described in paragraph .06a of section 250, as opposed to focusing on the amounts and disclosures included in the financial statements. The ASB has discussed this issue with the IAASB, and the wording in section 250 reflects the intent of ISA 250. The IAASB made subsequent changes to the application material in ISA 250 to make this clear.
- In paragraphs .10b and .14, changing “to help identify” to “that may identify.” The ASB believes that the wording of section 250 better conveys the intent of ISA 250.
- In paragraph .18, adding the phrase “(at a level above those involved with the suspected noncompliance, if possible).”

Such changes have been made to make section 250 easier to read and apply. The ASB believes that such changes do not create differences between the application of ISA 250 and the application of section 250.

Placement of Certain Requirements Within GAAS

Paragraph 16 of ISA 250 requires the auditor to request management and, when appropriate, those charged with governance to provide written representations regarding identified or suspected instances of noncompliance with relevant laws and regulations. The ASB believes this requirement is more appropriately placed in section 580, *Written Representations*. The placement of these requirements does not create differences between the ISAs as a whole and GAAS as a whole.

ISA 260, *Communication with Those Charged with Governance*, Compared to Section 260, *The Auditor’s Communication With Those Charged With Governance*

Differences in Language

Changes to the language of section 260 from ISA 260 include

- in paragraph .12, requiring that the auditor communicate with those charged with governance “the auditor’s views about qualitative aspects of the entity’s significant accounting practices” compared with the requirement in paragraph 16 of ISA 260 that the auditor communicate with those charged with governance “the auditor’s views about significant qualitative aspects of the entity’s accounting practices.” The ASB believes that the wording of section 260 better conveys the intent of ISA 260.
- in paragraph .16, changing the language in ISA 260 from “Written communications need not include all matters that arose during the course of the audit” to “This communication need not include matters that arose during the course of the audit that were communicated with those charged with governance and satisfactorily resolved.”

Such changes have been made to make section 260 easier to read and apply. The ASB believes that such changes do not create differences between the application of ISA 260 and the application of section 260.

Requirements in the ISAs Not in GAAS

Paragraphs 13 and 16 of ISA 260 require the auditor to communicate certain matters regarding independence in the case of listed entities. These requirements are not applicable to the audits of nonissuers in the United States and, therefore, are not included in section 260.

Requirements in GAAS Not in the ISAs

Paragraph .12a of section 260 requires the auditor, when applicable, to determine that those charged with governance are informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Paragraph .14a and c of section 260 require, when not all of those charged with governance are involved in managing the entity, the auditor to communicate (a) material, corrected misstatements that were brought to the attention of management as a result of audit procedures, and (b) the auditor's views about significant matters that were the subject of management's consultations with other accountants on accounting or auditing matters when the auditor is aware that such consultation has occurred. Paragraph .12c of section 260 requires the auditor to communicate disagreements with management, if any. ISA 260 does not require communication of these matters. The ASB believes that it is important for these matters to be communicated to those charged with governance of nonissuers in the United States.

Paragraph .17 of section 260 requires the auditor, when communicating matters in accordance with section 260 in writing, to indicate in the communication that it is intended solely for the information and use of those charged with governance and, if appropriate, management and is not intended to be, and should not be, used by anyone other than these specified parties. ISA 260 does not require this indication, nor does it prohibit it. The ASB believes that this communication meets the criteria for a by-product report under SAS No. 87, *Restricting the Use of an Auditor's Report*.^{||}

Placement of Certain Requirements Within GAAS

Consistent with requirements in paragraphs 12–13 of ISA 450, *Evaluation of Misstatements Identified during the Audit*, paragraph .13 of section 260 contains a requirement for the auditor to communicate certain matters regarding uncorrected misstatements. The ASB believes that this communication with those charged with governance is more appropriately placed in section 260. Paragraph 12(c)(i) of ISA 260 requires the auditor to communicate material weaknesses in internal control identified during an audit to those charged with governance. The ASB believes this requirement is more appropriately placed in section 265, *Communicating Internal Control Related Matters Identified in an Audit*. The placement of these requirements does not create differences between the ISAs as a whole and GAAS as a whole.

ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, Compared to Section 265, *Communicating Internal Control Related Matters Identified in an Audit*

Differences in Language

Section 265 includes and defines the term *material weakness*, whereas ISA 265 does not.

The definition of *material weakness*, along with the definitions of *deficiency in internal control* and *significant deficiency in internal control* have been modified to align with the definitions of these terms in Statement on Standards for Attestation Engagements No. 15, *An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements* (AT sec. 501). These terms and definitions are consistent with those used in the standards of the PCAOB. The ASB believes that consistency

^{||} SAS No. 87, *Restricting the Use of an Auditor's Report*, is currently effective and codified as AU section 532. SAS No. 87 has been included in section 905, as designated by SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, and will be superseded when it is redrafted for clarity and convergence as part of the Clarification and Convergence project of the Auditing Standards Board. Until such time, section 905 has been conformed to reflect updated section and paragraph cross references but has not otherwise been subjected to a comprehensive review or revision.

between its standards and those of the PCAOB in the use and definition of these terms is essential in the United States due to legal and regulatory requirements, including those pertaining to the evaluation of the effectiveness of an entity's internal control over financial reporting.

The ASB believes that the definitions are consistent with the intent of ISA 265 and that the modifications do not create differences between the application of ISA 265 and the application of section 265.

Requirements in GAAS Not in the ISAs

Section 265 requires the auditor to evaluate each deficiency to determine, on the basis of the audit work performed, whether, individually or in combination, the deficiencies constitute significant deficiencies or material weaknesses. ISA 265 does not explicitly refer to the auditor's evaluation of each deficiency in making this determination. The ASB believes that the requirement in section 265 is consistent with the intent of ISA 265.

Section 265 requires the auditor to communicate significant deficiencies and material weaknesses to management and those charged with governance. Because ISA 265 does not include or define the term *material weakness*, ISA 265 does not contain a requirement to separately identify or communicate material weaknesses.

Section 265 includes an additional requirement for the auditor to consider, if the auditor determines that a deficiency, or a combination of deficiencies, in internal control is not a material weakness, whether prudent officials, having knowledge of the same facts and circumstances, would likely reach the same conclusion (paragraph .10).

Section 265 explicitly requires the auditor to document the communication of other deficiencies in internal control that are communicated orally to management (paragraph .12b).

Paragraphs 9–10 of ISA 265 require the auditor to communicate to those charged with governance and management on a timely basis. Paragraph .13 of section 265 requires the communication to be made no later than 60 days following the report release date. ISA 265 recognizes in paragraph A13 that the written communication of significant deficiencies forms part of the final audit file and is subject to the overriding requirement for the auditor to complete the assembly of the final audit file on a timely basis. ISA 230 states that an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.

In addition to the required elements of the written communication identified in paragraph 11 of ISA 265, paragraph .14 of section 265 requires that the following additional items/elements be included in the written communication:

- The definition of *material weakness* and, when relevant, the definition of *significant deficiency*
- An explanation that the auditor is not expressing an opinion on the effectiveness of internal control
- An explanation that the auditor's consideration of internal control was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies
- A statement restricting the use of the communication to management, those charged with governance, others within the organization, and any governmental authority to which the auditor is required to report

Paragraph .15 of section 265 includes reporting requirements when the auditor issues a written communication stating that no material weaknesses were identified during the audit of the financial statements. Paragraph .16 of section 265 prohibits the issuance of a written communication stating that no significant deficiencies were identified during the audit. ISA 265 does not address the issuance of communications indicating no material weaknesses or no significant deficiencies.

ISA 300, *Planning an Audit of Financial Statements*, Compared to Section 300, *Planning an Audit*

Requirements in GAAS Not in the ISAs

Paragraph .12 of section 300 contains requirements regarding the auditor's obligations for determining the extent of involvement of professionals possessing specialized skills. ISA 300 does not contain these requirements. The ASB believes these requirements, and the related application material, are necessary for the auditor's consideration of the need for specialized skills and knowledge in the audit.

ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, Compared to Section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

Differences in Language

Paragraph .10 of section 315 uses different wording than paragraph 9 of ISA 315 to describe the auditor's requirement regarding the relevance of information obtained. Paragraphs .19 and .25 of section 315 include additional modifiers to conform to the comparable auditing standard issued by the Public Company Accounting Oversight Board.

Both ISA 240 and section 240 contain requirements for the auditor to consider the risks of material misstatement due to fraud. Paragraph .09 of section 315 contains a specific requirement for the auditor to consider the results of the assessment of the risk of material misstatement due to fraud during planning, whereas ISA 315 does not. In addition, certain requirements in paragraphs .21 and .33 of section 315 contain more specificity than do the equivalent requirements in ISA 315.

These differences do not create differences between the application of ISA 315 and the application of section 315.

ISA 320, *Materiality in Planning and Performing an Audit*, Compared to Section 320, *Materiality in Planning and Performing an Audit*

There are no differences between the application of ISA 320 and the application of section 320.

ISA 330, *The Auditor's Responses to Assessed Risks*, Compared to Section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*

Requirements in GAAS Not in the ISAs

Paragraph .20 of section 330 includes a requirement to confirm accounts receivable unless certain conditions exist. This requirement is not in the ISAs. The ASB believes it is appropriate to retain the requirement in paragraph 34 of SAS No. 67, *The Confirmation Process*.

Differences Between Requirements

To be consistent with the wording of the comparable requirements in the comparable auditing standard issued by the PCAOB, the requirement in paragraph .07 of section 330 has been modified with the words "relevant" and "material," and the requirement in paragraph .10 of section 330 has been expanded to specifically include addressing, when applicable, whether the person performing the control possesses the necessary authority and competence to perform the control effectively. The ASB believes these differences do not create differences between the application of ISA 330 and the application of section 330.

Placement of Certain Requirements Within GAAS

Paragraph .25 of section 330 includes a requirement for the auditor addressing the means of selecting items for testing. This requirement is in the ISAs in ISA 500, *Audit Evidence*. The ASB believes this requirement is more appropriately placed in section 330. The placement of this requirement does not create a difference between the ISAs as a whole and GAAS as a whole.

ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*, Compared to Section 402, *Audit Considerations Relating to an Entity Using a Service Organization*

Differences in Language

The definitions of *report on a description of a service organization's system and the suitability of the design of controls (type 1 report)* and *report on a description of a service organization's system and the suitability of the design and operating effectiveness of controls (type 2 report)*, in paragraph .08 of section 402, indicate that management's written assertion is an element of these reports. This is consistent with the definitions of these terms in International Standard on Assurance Engagements 3402, *Assurance Reports on Controls at a Service Organization*. The definitions of these terms in paragraph 8 of ISA 402 do not include management's written assertion as an element of the reports. The ASB believes that the definitions are consistent with the intent of ISA 402 and that the modifications do not create differences between the application of ISA 402 and the application of section 402.

ISA 450, *Evaluation of Misstatements Identified during the Audit*, Compared to Section 450, *Evaluation of Misstatements Identified During the Audit*

Placement of Certain Requirements Within GAAS

Paragraphs 12–13 of ISA 450 require the auditor to communicate certain matters regarding uncorrected misstatements to those charged with governance. The ASB believes that the requirements for this communication are more appropriately placed in section 260.

Paragraph 14 of ISA 450 requires the auditor to request written representations from management and, where appropriate, those charged with governance regarding uncorrected misstatements. The ASB believes this requirement is more appropriately placed in section 580.

The placement of these requirements does not create differences between the ISAs as a whole and GAAS as a whole.

ISA 500, *Audit Evidence*, Compared to Section 500, *Audit Evidence*

Placement of Certain Requirements Within GAAS

Paragraph 10 of ISA 500 includes a requirement for the auditor addressing the means of selecting items for testing. The ASB believes this requirement is more appropriately placed in section 330. The placement of this requirement does not create a difference between the ISAs as a whole and GAAS as a whole.

ISA 501, *Audit Evidence—Specific Considerations for Selected Items*, Compared to Section 501, *Audit Evidence—Specific Considerations for Selected Items*

Requirements in GAAS Not in the ISAs

Section 501 contains specific requirements relating to auditing investments in securities and derivative instruments that are not in ISA 501. The ASB concluded that it was appropriate to retain these specific requirements of SAS No. 92, *Auditing Derivatives Instruments, Hedging Activities, and Investments in Securities*.

SAS No. 12, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments*, is based on the premise that the applicable financial reporting framework complies with Financial Accounting Standards Board (FASB) *Accounting Standards Codification* 450, *Contingencies*. In addition, the audit inquiry letters required under SAS No. 12 have been subjected to the provisions of the 1975 agreement between the AICPA and the American Bar Association (ABA treaty). Consequently, section 501 contains specific requirements relating to litigation, claims and assessments consistent with the requirements of SAS No. 12 that are not contained in ISA 501. The ASB decided to retain such content in section 501 because it is particular to the U.S. environment and continues to be relevant in practice.

Placement of Certain Requirements Within GAAS

Paragraph 12 of ISA 501 requires the auditor to request written representations from management and, where appropriate, those charged with governance regarding litigation and claims. The ASB believes this requirement is more appropriately placed in section 580. The placement of these requirements does not create differences between the ISAs as a whole and GAAS as a whole.

ISA 505, *External Confirmations*, Compared to Section 505, *External Confirmations*

Differences in Language

The definition of *external confirmation* has been expanded to include an example of a medium through which a response may be obtained. The example^{3/4}direct access by the auditor to information held by a third party^{3/4}addresses a situation that is increasingly common. The ASB believes that the inclusion of this concept clarifies the definition and is consistent with the intent of the definition in ISA 505.

ISA 510, *Initial Audit Engagements—Opening Balances*, Compared to Section 510, *Opening Balances—Initial Audit Engagements, Including Reaudit Engagements*

Requirements in GAAS Not in the ISAs

Paragraph .07 of section 510 carries forward a requirement from paragraph 11 of SAS No. 84, *Communications Between Predecessor and Successor Auditors*, as amended, which states that the auditor, when the prior period financial statements were audited by a predecessor auditor, should request management to authorize the predecessor auditor to allow a review of the predecessor auditor's audit documentation and to respond fully to inquiries by the auditor. Other requirements related to reviewing the predecessor auditor's audit documentation do not differ between ISA 510 and section 510.

Paragraph .13 of section 510 incorporates requirements from paragraph 22 of SAS No. 84, as amended, concerning the auditor's response when management refuses to inform the predecessor auditor that the prior period financial statements may need revision or if the auditor is not satisfied with the resolution of the matter. The ASB believes it is important to address this situation.

Paragraph .14 of section 510 incorporates a requirement from paragraph 13 of SAS No. 84, as amended, that states that the auditor should not make reference to the report or work of the predecessor auditor as the basis, in part, for the successor auditor's own opinion. The ASB believes this requirement is necessary in the United States to clearly distinguish this situation from the circumstances in section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, in which the auditor determines to make reference to the audit of a component auditor in the auditor's report on the group financial statements.

Differences Between Requirements

Paragraph 6(c) of ISA 510 requires the auditor to perform one or more of three identified procedures, in addition to the procedures required in paragraph 6(a–b) of ISA 510, to obtain sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements. Two of the three procedures are (a) reviewing the predecessor auditor's audit documentation to obtain evidence regarding opening balances, and (b) evaluating whether audit procedures performed in the current audit provide evidence relevant to the opening balances. The ASB does not believe that either of these procedures, on its own, provides sufficient evidence regarding opening balances, and accordingly, the ASB has redrafted paragraph .08c of section 510 to require the auditor to evaluate whether audit procedures performed in the current period provide evidence relevant to the opening balances and also to perform one or both of the other procedures identified in paragraph .08c(i–ii) of section 510.

ISA 520, Analytical Procedures, Compared to Section 520, Analytical Procedures

Differences in Language

The ASB has made various changes to the language throughout section 520 in comparison with ISA 520. The changes to section 520 include the following:

- In paragraph .05c, adding the parenthetical “(taking into account whether substantive analytical procedures are to be performed alone or in combination with tests of details)” to clarify that the auditor can use as audit evidence a substantive analytical procedure that is less precise than performance materiality when such analytical procedure is combined with other substantive audit procedures.
- In paragraph .05d, adding “compare the recorded amounts, or ratios developed from recorded amounts, with the expectations.” The ASB is of the understanding that such procedure is presumed in ISA 520.

Such changes have been made to make section 520 easier to read and apply. The ASB believes that the changes made do not create differences between the application of ISA 520 and the application of section 520.

Requirements in GAAS Not in the ISAs

Section 520 includes specific documentation requirements, in paragraph .08, which ISA 520 does not. Such requirements are contained in SAS No. 56, *Analytical Procedures*, as amended, which section 520 supersedes, and the ASB believes that the requirements are appropriate and should be retained.

ISA 530, Audit Sampling, Compared to Section 530, Audit Sampling

Differences in Language

The definition of *audit sampling* in paragraph 5 of ISA 530 was revised in section 530 because the ASB believes that the ISA 530 wording defining audit sampling to require the auditor to select items such that “each item has a chance of selection” is too imprecise to be meaningful. The definition was revised to (a) focus on conclusions about the population, and (b) include the fundamental concept of representativeness. Paragraph .08 of section 530, which establishes a requirement with respect to the selection of items in a population, reflects the revised definition of *audit sampling*.

The wording in paragraph .13 of section 530 was broadened from the wording in paragraph 14 of ISA 530 to better encompass the related application material.

Requirements in the ISAs Not in GAAS

The requirement in paragraph 13 of ISA 530 that addresses the issue of anomalies is not included in section 530. The ASB expressed concerns about terms used in paragraph 13 of ISA 530, such as “in the extremely rare circumstances” and “a high degree of certainty.” These terms are not used in GAAS and the ASB believes these terms would not be consistently interpreted in practice. The ASB also believes that the deletion from section 530 of the option to consider a misstatement an anomaly will enhance audit quality because misstatements identified by the auditor during audit sampling will be treated in the same manner as any other misstatement identified by the auditor and, thus, will prevent the misuse of anomalies.

Paragraph 14 of ISA 530 requires, for tests of details, the projection of misstatements found in a sample to the population. The ASB believes that projection of misstatements is also relevant to tests of controls and tests of compliance, and accordingly, has broadened the requirement in paragraph .14 of section 530 to project the results of audit sampling to also include tests of controls and tests of compliance.

Other

The appendixes of ISA 530 were not included in section 530 because the guidance contained therein is covered by the AICPA Audit Guide *Audit Sampling*.

ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures, Compared to Section 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures

Placement of Certain Requirements Within GAAS

Paragraph 22 of ISA 540 requires the auditor to obtain written representations from management and, when appropriate, those charged with governance about whether management and, when appropriate, those charged with governance believe significant assumptions used in making accounting estimates are reasonable. The ASB believes this requirement is more appropriately placed in section 580. The placement of this requirement does not create a difference between the ISAs as a whole and GAAS as a whole.

ISA 550, Related Parties, Compared to Section 550, Related Parties

Requirements in GAAS Not in the ISAs

ISA 550 distinguishes between fair presentation and compliance frameworks and between financial reporting frameworks that contain related party requirements and financial reporting frameworks that have minimal or no related party requirements. However, the ASB believes that fair presentation frameworks are the only financial reporting framework used in the United States. Further, to achieve fair presentation, disclosures related to related parties, such as those required by generally accepted accounting principles (GAAP), are necessary and, accordingly, section 550 defines *related party* as “a party as defined in GAAP.” Thus, section 550 does not refer to applicable financial reporting frameworks; the applicability, objectives, and requirements of section 550 are the same regardless of the applicable financial reporting framework.

Placement of Certain Requirements Within GAAS

Paragraph 26 of ISA 550 requires the auditor to request that management and, when appropriate, those charged with governance, provide written representations regarding related party transactions. The ASB believes this requirement is more appropriately placed in section 580. The placement of this requirement does not create a difference between the ISAs as a whole and GAAS as a whole.

ISA 560, Subsequent Events, Compared to Section 560, Subsequent Events and Subsequently Discovered Facts

Differences in Language

Paragraph 5 of ISA 560 defines *subsequent events* to include both events occurring between the date of the financial statements and the date of the auditor's report and facts that become known to the auditor after the date of the auditor's report. Section 560 includes separate definitions for *subsequent events* and *subsequently discovered facts* to clearly distinguish the auditor's responsibilities for each. The definition of *subsequently discovered facts* was also expanded to use language that is consistent with language in the objectives and requirements of ISA 560 (paragraphs 4(b) and 14) but that is not specifically included in the definition in ISA 560.

Paragraph 5 of ISA 560 further defines *the date the financial statements are issued*, which is the date the auditor's report and audited financial statements are made available to third parties. This term was deleted from section 560 because the applicable financial reporting framework may define the financial statement issuance date. In addition, because GAAS define the report release date, the ASB believes the definition could cause confusion with respect to the release versus the issuance of the auditor's report. Although the definition was deleted, the requirements in section 560 were modified to use terms that are well understood in the United States and to be consistent with the intent of the requirements in ISA 560.

Paragraph 12 of ISA 560 permits the auditor to dual date the auditor's report when law or regulation does not prohibit management from restricting the revision of the financial statements to the effects of the subsequent event or events causing that revision and those responsible for approving the financial statements are not prohibited from restricting their approval to that revision. In the United States, no such prohibition by law or regulation exists. Accordingly, paragraph .13b of section 560 omits the reference to law or regulation.

Because the date of the auditor's report and the report release date are within the auditor's control, the requirements in paragraphs .12-.18 of section 560 were restructured with reference to the report release date in lieu of reference to the date that the financial statements were issued. Similar changes were made to the related application and other explanatory material.

Paragraph 15(b) of ISA 560 requires the auditor to review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements, together with the auditor's report thereon, is informed of the situation. Paragraphs .16b and .17b of section 560 require the auditor to determine whether management's steps are timely and appropriate. The ASB believes this is consistent with the intent of the requirements of ISA 560.

The ASB believes these changes do not create differences between the application of ISA 560 and the application of section 560.

Requirements in the ISAs Not in GAAS

Certain requirements in ISA 560 also require the auditor to provide the auditor's report or a new or revised auditor's report. These references were eliminated from the requirements in section 560 because the ASB believes that it is not necessary to require the auditor to provide the auditor's report.

Paragraph 12(b) of ISA 560, which is an optional form of dual dating, was not included in section 560 because it is uncommon in the United States to provide a new or revised auditor's report that includes a statement in an emphasis-of-matter paragraph that conveys that the auditor's procedures on subsequent events are restricted solely to the revision of the financial statements, as described in the relevant note to the financial statements.

Requirements in GAAS Not in the ISAs

Section 560 includes an additional objective in paragraph .06, requirements in paragraphs .19-.20, and application and other explanatory material in paragraphs .A27-.A30 related to a predecessor auditor's responsibilities when reissuing the auditor's report on previously issued financial statements that are to be presented on a comparative basis with audited financial statements of a subsequent period. ISA 560 does not include such requirements.

Paragraph 9 of ISA 560 requires the auditor to request that management and, when appropriate, those charged with governance provide written representations regarding subsequent events. This requirement is included in paragraph .18 of section 580. However, if the financial statements are subsequently revised, paragraph .13a-b of section 560 includes additional requirements for the auditor to request management to provide certain representations when the auditor either dates the auditor's report as of a later date or includes an additional date limited to the revision (that is, dual dates the auditor's report for that revision). These representations are not included in ISA 560.

Placement of Certain Requirements Within GAAS

Paragraph 5 of ISA 560 defines *the date of approval of the financial statements*. This definition was deleted from the definitions of section 560 because the ASB did not believe it was necessary to its application and because the term is described in paragraph .A41 of section 700, *Forming an Opinion and Reporting on Financial Statements*.

Paragraphs 11(b)(ii) and 15(c)(i) of ISA 560 require that the new auditor's report not be dated earlier than the date of approval of the revised financial statements. This requirement is not included in section 560 because the requirements for dating the report are addressed in section 700.

As noted above, the requirement in paragraph 9 of ISA 560 regarding written representations has been moved to section 580.

Paragraph 16 of ISA 560 requires the auditor to include in the new or revised auditor's report an emphasis-of-matter paragraph or other-matter paragraph in situations when the financial statements are revised after the financial statements have been issued. Paragraph 16 of ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*, includes a similar requirement related to comparative financial statements and the auditor's opinion on prior period financial statements, when reporting on prior period financial statements in connection with the current period's audit, differs from the opinion previously expressed. Requirements have been placed in paragraph .16c of section 560 and paragraphs .13–.14 of section 708, *Consistency of Financial Statements*, that when considered together, achieve the intent of the requirements in paragraph 16 of ISA 560 and paragraph 16 of ISA 710.

The ASB believes such placements do not create differences between the ISAs as a whole and GAAS as a whole.

ISA 570, Going Concern, Compared to Section 570, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern

Differences in Language

The ASB decided to delay convergence of section 570 with ISA 570, pending the FASB's anticipated development of accounting guidance addressing going concern. Accordingly, section 570 was not drafted using ISA 570 as a base.

Differences in Requirements

ISA 570 is premised on the assumption that management has a responsibility to assess the entity's ability to continue as a going concern, regardless of whether the financial reporting framework being applied requires management to do so. One of the auditor's objectives in ISA 570 is to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern assumption in the preparation of the financial statements. Paragraph 8 of section 570 requires the auditor to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. However, ISA 570 requires consideration of the going concern assumption throughout the engagement. In planning the audit, the auditor is required to consider whether there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and to remain alert throughout the audit for evidence of such events or conditions. Section 570 does not require the auditor to design audit procedures solely to identify such events and conditions. It requires the auditor to consider whether the results of other procedures performed during the course of the engagement identify conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern.

Paragraph 10 of ISA 570 requires the auditor to discuss with management the basis for the intended use of the going concern assumption. In addition, paragraph 12 of ISA 570 requires the auditor to evaluate management's assessment. Section 570 does not contain these explicit requirements, except that in circumstances when the auditor believes there is substantial doubt about the entity's ability to continue as a going concern, the auditor is required to consider management's plans for dealing with the adverse effects of the conditions and events that led to the auditor's belief.

The period of assessment also may be different. ISA 570 requires the auditor to consider the same period as that used by management in making its assessment, a period at least, but not limited to, twelve months from the balance sheet date. ISA 570 also requires the auditor to inquire of management as to its knowledge of events or conditions beyond the period of assessment used by management that may cast significant doubt on the entity's ability to continue as a going concern. Section 570 requires the auditor to evaluate

whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited.

When there is significant delay in the signature or approval of the financial statements by management after the balance sheet date, ISA 570 says that the auditor considers the reasons for the delay. When the delay could be related to events or conditions relating to the going concern assessment, the auditor considers the need to perform additional audit procedures and the effect on the auditor's conclusion regarding the existence of a material uncertainty. Section 570 does not contain similar guidance.

ISA 580, *Written Representations*, Compared to Section 580, *Written Representations*

Differences in Language

Paragraph 8 of ISA 580 describes management's responsibility in the case of a fair presentation framework. The ASB believes that all the acceptable financial reporting frameworks in the United States are fair presentation frameworks and, thus, the requirements of section 580 reflect this perspective.

Requirements in the ISAs Not in GAAS

Paragraph 15 of ISA 580 contains a requirement related to situations in which law or regulation requires management to make written public statements about its responsibilities. The ASB believes that these situations are not applicable to nonissuers in the United States and, accordingly, such requirements are not included in section 580.

Differences Between Requirements

Paragraph 14 of ISA 580 requires that the date of the written representations be as near as practicable to, but not after, the date of the auditor's report on the financial statements. Paragraph .20 of section 580 requires that the date of the written representations be as of the date of the auditor's report, which is consistent with SAS No. 85, *Management Representations*, as amended. Paragraph .A27 of section 580 states that, occasionally, circumstances may prevent management from signing the representation letter and returning it to the auditor on the date of the auditor's report. In these circumstances, the auditor may accept management's oral confirmation, on or before the date of the representations, that management has reviewed the final representation letter and will sign the representation letter without exception as providing sufficient appropriate audit evidence for the auditor to date the report. However, possession of the signed management representation letter prior to releasing the auditor's report is necessary because paragraph .21 of section 580 requires that the representations be in the form of a written letter from management.

Placement of Certain Requirements Within GAAS

The following ISAs contain requirements for requesting written representations:

- Paragraph 39 of ISA 240
- Paragraph 16 of ISA 250
- Paragraph 14 of ISA 450
- Paragraph 12 of ISA 501
- Paragraph 22 of ISA 540
- Paragraph 26 of ISA 550
- Paragraph 9 of ISA 560

Such requirements have been included in paragraphs .12–.19 of section 580. The ASB believes these requirements, which relate to representations that would be obtained for every audit engagement, are more appropriately placed in section 580. The placement of these requirements does not create differences between the ISAs as a whole and GAAS as a whole.

ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, Compared to Section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Differences in Language

All the requirements in ISA 600 are addressed to either the group engagement partner or the group engagement team. In section 600, requirements that, in the circumstances, may be appropriately fulfilled by the firm are addressed to the auditor of the group financial statements. These requirements, in paragraphs .16 and .29, relate to engagement acceptance and modification of the auditor's opinion on the group financial statements. The ASB believes that this does not create a substantive difference between the requirements of ISA 600 and the requirements of section 600.

Requirements in the ISAs Not in GAAS

ISA 600 does not permit the auditor's report on the group financial statements to make reference to a component auditor unless required by law or regulation to include such reference. Section 600, consistent with SAS No. 1 section 543, *Part of Audit Performed by Other Independent Auditors*, as amended, permits the auditor, in the auditor's report on the group financial statements, to make reference to the audit of a component auditor.

The ASB believes that the ability to make reference to the report of another auditor is appropriate in the United States for several reasons. No compelling practice issues suggest a need to change an approach that has always been permitted by GAAS in the United States. The size, complexity, and diversity of some audits, in particular the audit of the federal government in which withdrawing from the engagement or disclaiming an opinion are not viable options, make eliminating the option to make reference to a component auditor problematic. In addition, the ASB believes that there will be considerable practical problems with access issues, particularly with equity investments, under the approach in ISA 600. The ASB believes that there is no difference in the effectiveness of the audit in either approach when the audits are conducted in accordance with GAAS. Accordingly, section 600 contains requirements and application and other explanatory material relating to making reference to the report of another auditor that are not in ISA 600, which results in substantive differences in the wording of the objectives, requirements, and application material between ISA 600 and section 600. A group audit conducted in accordance with GAAS when the group engagement partner determines to make reference to the audit performed by a component auditor would not comply with the ISAs. As such, in an audit conducted under both GAAS and the ISAs, the auditor of the group financial statements would need to assume responsibility for the work of all component auditors and, therefore, plan the audit accordingly to comply with both sets of standards.

When no reference is made to a component auditor in the auditor's report on the group financial statements, no substantive differences exist between the requirements of ISA 600 and the requirements of section 600.

ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, Compared to Section 610, *Using the Work of Internal Auditors*

Differences in Language

Various changes to the language of ISA 610 (Revised 2013) were made throughout section 610 to use terms or phrases that are more commonly used in the United States and to tailor examples and guidance to be more appropriate to the U.S. environment. The ASB believes that such changes do not create differences between the application of ISA 610 (Revised 2013) and the application of section 610.

Requirements in the ISAs Not in GAAS

Using Internal Auditors to Provide Direct Assistance

Determining the Nature and Extent of Work That Can Be Assigned to Internal Auditors Providing Direct Assistance

GAAS do not include paragraph 30 of ISA 610 (Revised 2013) in section 610 because the paragraph precludes the external auditor's use of internal auditors to provide direct assistance in specified circumstances. The ASB believes that the requirements in paragraphs

30a and 30b were not necessary in the context of audits of nonissuers in the United States. These requirements are partly redundant when compared to the requirement in paragraph .27 of section 610 regarding the need for the auditor to consider the amount of judgment involved in determining the nature and extent of work to assign to internal auditors and the nature, timing, and extent of the review thereof. Additional application guidance was added to paragraph .A42 section 610 to further emphasize that as materiality of the financial statement amounts increases, and either the assessed risks of material misstatement or the amount of judgment involved increases, the need for the external auditor to perform procedures directly increases. The ASB further concluded that the requirements in paragraphs 30c and 30d were not necessary because an appropriate assessment of the objectivity of the internal auditors in accordance with section 610 would result in a conclusion that it would not be appropriate for internal auditors' work to be used in the situations addressed by those paragraphs.

Using Internal Auditors to Provide Direct Assistance

Paragraph 33b of ISA 610 (Revised 2013) requires that, prior to using internal auditors to provide direct assistance for purposes of the audit, the external auditor obtain written agreement from the internal auditors that they will keep confidential specific matters as instructed by the external auditor and inform the external auditor of any threat to their objectivity. Given the established practice and historical experience of using internal auditors to provide direct assistance, the ASB did not believe that it was necessary to include this requirement for the audits of nonissuers in the United States. However, the ASB added application material to indicate that the auditor may determine it necessary to instruct the internal auditors to keep specific matters confidential and, in some situations, may determine it to be necessary to request written acknowledgement from the internal auditors of having understood such instruction (paragraph .A41 of section 610).

Differences Between Requirements

Using Internal Auditors to Provide Direct Assistance

Determining the Nature and Extent of Work That Can Be Assigned to Internal Auditors Providing Direct Assistance

Paragraph 31 of ISA 610 (Revised 2013) establishes a requirement that, in communicating with those charged with governance, an overview of the planned scope and timing of the audit in accordance with ISA 260, *Communication with Those Charged with Governance*, the external auditor should communicate the nature and extent of the planned use of internal auditors to provide direct assistance so as to reach a mutual understanding that such use is not excessive in the circumstances of the engagement. The ASB decided to revise paragraph 31 of ISA 610 (Revised 2013) to improve the clarity of the requirement and eliminate the requirement to explicitly obtain a mutual understanding with those charged with governance that the proposed nature and extent of the use of internal auditors to provide direct assistance is not excessive because it was not considered necessary in the context of audits of nonissuers in the United States. Making the communication required by paragraph .28 of section 610 provides those charged with governance the opportunity to voice any concerns.

Using Internal Auditors to Provide Direct Assistance

Paragraph 34a of ISA 610 (Revised 2013) states the following:

The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220. In so doing:

- a. The nature, timing and extent of direction, supervision, and review shall recognize that the internal auditors are not independent of the entity and be responsive to the outcome of the evaluation of the factors in paragraph 29 of this ISA.

In paragraph .31a of section 610, the ASB decided to delete the phrase *recognize that the internal auditors are not independent* of the entity because the ASB did not believe there was any incremental effect of the phrase on the nature, timing, and extent of the external auditor's required actions. The ASB also believes that the fact that internal auditors are not independent of the entity is already implicit in, and encompassed by, the external auditor's evaluation of the factors in paragraph .27 of section 610.

In paragraph .31c of section 610, the ASB decided to revise paragraph 34b of ISA 610 (Revised 2013) to express the requirement in terms more commonly understood in the United States and that are more consistent with the terminology in section 610.

Requirements in GAAS Not in the ISAs

Using Internal Auditors to Provide Direct Assistance

The ASB decided to add paragraph 31b, which represents a requirement to instruct internal auditors to bring accounting and auditing issues to the attention of the external auditors. The ASB believes that it is important to include this requirement, which is included section 610.

ISA 620, *Using the Work of an Auditor's Expert, Compared to Section 620, Using the Work of an Auditor's Specialist*

Differences in Language

Paragraph 12(b) of ISA 620 requires the auditor to evaluate the significant assumptions and methods of the auditor's specialist. The ASB expanded the wording of this requirement to more clearly articulate the auditor's responsibility in this regard. The ASB believes this does not create a difference between the application of ISA 620 and the application of section 620.

Requirements in the ISAs Not in GAAS

Paragraph 14 of ISA 620 contains a conditional requirement regarding the auditor's reference to the auditor's specialist in the auditor's report when such reference is required by law or regulation. Because such reference is not required by law or regulation in the United States, such requirement is not included in section 620.

ISA 700, *Forming an Opinion and Reporting on Financial Statements, Compared to Section 700, Forming an Opinion and Reporting on Financial Statements*

Requirements in the ISAs Not in GAAS

Compliance Framework

Paragraphs 7(b), 19, and 36 of ISA 700 discuss financial statements prepared in accordance with a compliance framework. GAAS do not include any references to compliance frameworks because the ASB believes that all financial reporting frameworks used in the United States are fair presentation frameworks. Accordingly, section 700 is written in the context of a complete set of general purpose financial statements prepared in accordance with a fair presentation framework.

Definitions

Paragraph 7(b) of ISA 700 defines *fair presentation framework*. Section 700 does not include this definition because fair presentation framework is already defined in section 200. As noted previously, section 700 does not include any references to compliance frameworks; therefore, there is no need to emphasize the differences between a fair presentation framework and a compliance framework in section 700.

Use of True and Fair View

Paragraphs 27, 32, and 35(b) of ISA 700 indicate that the description in the auditor's report can refer either to the preparation and fair presentation of the financial statements or the preparation of financial statements that give a true and fair view. GAAS do not include any references to "true and fair view" because such wording has not historically been used in the United States; GAAS continues to require the use of "present fairly, in all material respects" in the auditor's opinion. The ASB believes this does not result in a difference in the application of the ISAs and the application of GAAS.

Introductory Paragraph

Paragraph 23(d) of ISA 700 requires the introductory paragraph in the auditor's report to refer to the summary of significant accounting policies and other explanatory information. Section 700 does not include this requirement because the ASB believes the notes to the financial statements are an integral part of the financial statements, and specific notes need not be identified in the introductory paragraph. Because the notes to the financial statements are an integral part of the financial statements, the ASB has included a

reference to the related notes to the financial statements in the illustrative auditor's reports in exhibit A, "Illustrations of Auditor's Reports on Financial Statements," of section 700. The ASB believes this does not create a difference between the application of ISA 700 and the application of section 700.

Paragraph 24 of ISA 700 requires the report to use a term that is appropriate in the context of the legal framework in the relevant jurisdiction when the auditor's report discusses management's responsibilities. Section 700 does not include this requirement because the ASB believes this paragraph relates to jurisdictions where the structure of the boards and corporate law are different than in the United States. In the United States, the ASB believes reference to management is sufficient. The ASB believes this does not create a difference between the application of ISA 700 and the application of section 700.

Auditor's Responsibility

Paragraph 30 of ISA 700 requires the auditor's report to include in the "Auditor's Responsibilities" section a statement that the auditing standards require that the auditor comply with ethical requirements. Paragraph .31 of section 700 does not contain this requirement because in the United States, auditors must comply with the ethical standards contained in the AICPA Code of Professional Conduct. Accordingly, the ASB believes that the title indicating that it is the report of an independent auditor affirms that the auditor has met the ethical requirements and, therefore, need not make an additional reference in the auditor's report. Further, the ASB was mindful to minimize the differences between the PCAOB form of the auditor's report and section 700. The ASB believes a reference to ethical requirements in one report and not the other would cause confusion in the United States and that such differentiation between the two reports is not necessary.

Information Presented in the Financial Statements

Paragraph 46 of ISA 700 contains requirements when supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial statements. If such supplementary information is not clearly differentiated from the audited financial statements, ISA 700 requires the auditor to ask management to change how the unaudited supplementary information is presented and if management refuses to do so, the auditor should explain in the auditor's report that such supplementary information has not been audited. In the United States, section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*, addresses the auditor's responsibility when engaged to report on supplementary information. At the present time, no ISAs exist that correspond to section 725. GAAS do not include the requirement for the auditor to ask management to change how the unaudited supplementary information is presented when the supplementary information is not clearly differentiated from the audited financial statements.

Requirements in GAAS Not in the ISAs

Management's Responsibilities

Paragraph .28 of section 700 adds a requirement that the description of management's responsibilities for the financial statements in the auditor's report should not be referenced to a separate statement by management about such responsibilities if such a statement is included in a document containing the auditor's report.

Paragraph .41 of section 700 includes a requirement that sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed.

ISA 700 does not contain these requirements, which the ASB believes are appropriate for inclusion in GAAS to retain the pre-clarity requirements.

Differences Between Requirements

Management's Responsibilities

Paragraph 26 of ISA 700 requires the report to describe management's responsibilities for the preparation of the financial statements. The description should include an explanation that management is responsible for the preparation of the financial statements in accordance

with the applicable financial reporting framework and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. Section 700 requires the auditor's report to state that this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements. The ASB believes section 700 better conveys management's responsibility in the United States.

Auditor's Report for Audits Conducted in Accordance With Both Auditing Standards of a Specific Jurisdiction and ISAs

Paragraphs 44–45 of ISA 700 contain requirements when an auditor is required to conduct an audit in accordance with the auditing standards of a specific jurisdiction but may additionally have complied with the ISAs in the conduct of the audit. Paragraphs .42–.43 of section 700 have been revised to reflect reporting conventions in the United States.

The ASB believes these differences do not create a difference between the application of ISA 700 and the application of section 700.

Placement of Certain Requirements Within GAAS

Comparative Financial Statements

Section 700 addresses comparative financial statements and comparative information, which are not addressed in ISA 700 but are addressed in ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*. See “Comparison of Section 700, *Forming an Opinion and Reporting on Financial Statements*, and International Standard on Auditing 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*,” below for a comparison of the requirements of section 700 and the requirements of ISA 710. ISA 710 addresses reporting in other jurisdictions that are not common to the United States, including corresponding figures that are not covered by the auditor's report. For simplicity, the ASB decided to include those requirements and application material that apply in the United States in section 700 rather than have a separate AU-C section.

Auditor's Report Prescribed by Law or Regulation

Paragraph 43 of ISA 700 discusses the auditor's report prescribed by law or regulation. Section 700 does not contain this section because it does not pertain to general purpose financial statements in the United States. Auditor's reports prescribed by law or regulation are addressed in section 800.

The ASB believes that the placement of these requirements does not create differences between the application of the ISAs as a whole and the application of GAAS as a whole.

ISA 705, Modifications to the Opinion in the Independent Auditor's Report, Compared to Section 705, Modifications to the Opinion in the Independent Auditor's Report

Requirements in the ISAs Not in GAAS

Compliance Framework

GAAS do not include any references to compliance frameworks because the ASB believes that all financial reporting frameworks used in the United States are fair presentation frameworks. Accordingly, the reference to compliance frameworks in paragraph 23(b) of ISA 705 has not been included in paragraph .24 of section 705.

Use of True and Fair View

GAAS do not include any references to “true and fair view” because such wording has not historically been used in the United States; GAAS continues to require the use of “present fairly, in all material respects” in the auditor's opinion. Accordingly, the references to “true and fair view” in paragraphs 23(a) and 24(a) of ISA 705 are not included in paragraphs .23–.24 of section 705. The ASB believes this does not result in a difference in the application of the ISAs and the application of GAAS.

Multiple Uncertainties

Paragraph 10 of ISA 705 requires the auditor to disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements. Section 705 does not include this requirement because the ASB believes that a disclaimer of opinion is appropriate only when the auditor is not able to obtain sufficient appropriate audit evidence. The ASB believes the guidance in paragraph 30 of SAS No. 58, *Reports on Audited Financial Statements*, as amended, is appropriate in these circumstances; therefore, paragraph .A13 of section 705 includes this guidance.

Differences Between Requirements

Management-Imposed Scope Limitation

Paragraph 13(b)(i) of ISA 705 requires the auditor to withdraw from the audit when the auditor is unable to obtain sufficient appropriate audit evidence, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be inadequate to communicate the gravity of the situation. Paragraph .13 of section 705 changes this requirement so that the auditor should consider withdrawal from the engagement under such circumstances. The ASB believes that in the United States, the auditor should not be required to withdraw from an engagement but, rather, should consider whether to withdraw or disclaim an opinion on the financial statements. The ASB believes this does not create differences between the application of ISA 705 and the application of section 705.

ISA 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, Compared to Section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*

There are no substantive differences between ISA 706 and section 706.

ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*, Compared to Section 700, *Forming an Opinion and Reporting on Financial Statements*

Differences in Language

The definitions of *comparative information* and *comparative financial statements* in paragraph 6(a) and (c) of ISA 710 have been revised to reflect U.S. conventions.

Requirements in the ISAs Not in GAAS

ISA 710 addresses reporting in other jurisdictions that are not common in the United States, including corresponding figures that are not covered by the auditor's report. GAAS do not include any references to corresponding figures because these are not common in the United States.

Requirements in GAAS Not in the ISAs

Comparative Information

Paragraph .45 of section 700 requires that when expressing an opinion on all periods presented, the auditor should update the report on the individual financial statements of one or more prior periods presented on a comparative basis with those of the current period. The auditor's report on comparative financial statements should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to support the opinion for the most recent audit.

Paragraph .47 of section 700 contains a requirement that if comparative information is presented, and the entity requests the auditor to express an opinion on all periods presented, the auditor should consider whether the information included for the prior period contains sufficient detail to constitute a fair presentation in accordance with the applicable financial reporting framework.

Audit Procedures

Paragraph .48 of section 700 contains a requirement that the audit procedures in paragraphs .49–.51 of section 700 should apply regardless of whether comparative financial statements or comparative information is presented for the prior period.

Prior Period Financial Statements

Paragraph .53 of section 700 includes requirements on what to disclose in an other-matter paragraph when reporting on prior period financial statements in connection with the current period's audit, and the auditor's opinion on such prior period financial statements differs from the opinion the auditor previously expressed.

Paragraph .54 of section 700 adds "and the predecessor auditor's report on the prior period's financial statements is not reissued" to the requirement. This was added to clarify that if the report was reissued, section 560 would apply. In addition, a requirement was added to include in the other-matter paragraph the nature of any emphasis-of-matter paragraph or other-matter paragraph included in the predecessor auditor's report, if any.

Prior Period Financial Statements Not Audited

Paragraphs .56–.57 of section 700 include requirements on how to report when prior period financial statements were not audited, reviewed, or compiled, to better clarify what is covered in section 700 related to comparative financial statements and comparative information.

ISA 710 does not contain these requirements. The ASB believes these requirements and related application material are appropriate for inclusion in GAAS.

Placement of Certain Requirements Within GAAS

ISA 710 addresses reporting in other jurisdictions that are not common to the United States, including corresponding figures that are not covered by the auditor's report. For simplicity, the ASB decided to include certain requirements and application material for comparative financial statements and comparative information in section 700 rather than having a separate AU-C section. The ASB believes that the requirements in section 700 related to comparative financial statements and comparative information are consistent with the intent of ISA 710 and that the placement of these requirements does not create differences between the application of the ISAs as a whole and the application of GAAS as a whole.

ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*, Compared to Section 720, *Other Information in Documents Containing Audited Financial Statements*

Differences in Language

The ASB has made various changes to the language throughout section 720, in comparison with ISA 720. The changes to section 720 include the following:

- In paragraph .01, clarifying that "auditor's opinion" is the opinion on the financial statements.
- In paragraph .02, adding clarifying language that documents containing audited financial statements refer to "annual reports of governments and organizations for charitable or philanthropic purposes that are available to the public" and that section 720 also applies to "other documents to which the auditor, at management's request, devotes attention."

- In paragraph .05, deleting the phrase “either by law, regulation or custom” from the definition of *other information* to avoid confusion with required supplementary information.
- In paragraph .11, adding the phrase “other-matter” to clarify the report modification.
- In paragraph .16, adding the wording “by the entity in determining whether such matter is a material misstatement of fact” to clarify that the advice is received by the entity.

Such changes have been made to make section 720 easier to read and apply. The ASB believes that such changes do not create differences between the application of ISA 720 and the application of section 720.

Differences Between Requirements

Section 720 clarifies that the auditor’s objective is to respond appropriately (in paragraph .04), and the requirement is to read the other information (in paragraph .06) when the auditor becomes aware that documents containing audited financial statements and the auditor’s report thereon include other information that could undermine the credibility of those financial statements and the auditor’s report. The objective in ISA 720 and the corresponding requirement are not specifically limited to documents of which the auditor is aware. However, ISA 720 states that “documents containing audited financial statements” refers to annual reports (or similar documents) that are issued to owners (or similar stakeholders) containing audited financial statements and the auditor’s report thereon. ISA 720 further states that it may be applied, adapted as necessary in the circumstances, to other documents containing audited financial statements. The ASB believes that the language added to section 720 limiting the auditor’s responsibilities clarifies the intent of the objective and the requirement in ISA 720 and is appropriate in the U.S. legal environment.

Section 720 applies the requirement in paragraph .07 for the auditor to make appropriate arrangements with management or those charged with governance to obtain the other information, and the requirements in paragraphs .10–.14 regarding the auditor’s identification of material inconsistencies, to the report release date, but ISA 720 applies the corresponding requirements to the date of the auditor’s report. The ASB determined that the report release date, as defined in GAAS, is more appropriate in the U.S. environment.

ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, Compared to Section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*

Differences in Language

Definitions

Paragraph 6 of ISA 800 defines a *special purpose framework* as a financial reporting framework (a fair presentation framework or a compliance framework) designed to meet the financial information needs of specific users. Section 800 defines a *special purpose framework* as one of the following bases of accounting: cash, tax, regulatory, and contractual, or other basis of accounting, all of which are fair presentation frameworks in the United States. An other basis of accounting is a basis of accounting that uses a definite set of logical, reasonable criteria that is applied to all material items appearing in financial statements.

Considerations When Planning and Performing the Audit

Paragraph 9 of ISA 800 requires the auditor to determine whether application of the ISAs requires special consideration in the circumstances of the engagement. However, paragraph .12 of section 800 requires the auditor to adapt all AU-C sections relevant to the audit as necessary in the circumstances of the engagement. The ASB believes that the requirement in section 800 is consistent with the intent of ISA 800 and that such changes do not create differences between the application of ISA 800 and the application of section 800.

Requirements in GAAS Not in the ISAs

Considerations When Accepting the Engagement

Paragraph .11 of section 800 includes a requirement for the auditor, when accepting the engagement, to obtain the agreement of management that it acknowledges and understands its responsibility to include all informative disclosures, including specified disclosures, that are appropriate for the special purpose framework used to prepare the entity's financial statements.

Description of the Applicable Financial Reporting Framework

Paragraph .15 of section 800 includes a requirement for the auditor to evaluate whether the financial statements are suitably titled, include a summary of significant accounting policies, and adequately describe how the special purpose framework differs from GAAP.

Fair Presentation

If the special purpose financial statements contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP, paragraph .17 of section 800 includes a requirement for the auditor to evaluate whether the financial statements include informative disclosures similar to those required by GAAP. Paragraph .17 of section 800 also requires the auditor to evaluate whether additional disclosures, beyond those specifically required by the framework, related to matters that are not specifically identified on the face of the financial statements or other disclosures may be necessary for the financial statements to achieve fair presentation.

Restricting the Use of the Auditor's Report

Paragraph .20 of section 800 requires the auditor's report to include an other-matter paragraph that restricts the use of the auditor's report when the special purpose financial statements are prepared in accordance with contractual basis of accounting, a regulatory basis of accounting, or an other basis of accounting when required pursuant to paragraphs .06a–b of section 905, *Alert That Restricts the Use of the Auditor's Written Communication*, except for the circumstances described in paragraph .21 of section 800. In accordance with paragraph .21 of section 800, the other-matter paragraph is not required when the special purpose financial statements are prepared in accordance with a regulatory basis of accounting and the special purpose financial statements together with the auditor's report are intended for general use. In this circumstance, the auditor is required to express an opinion on whether the financial statements are prepared in accordance with GAAP and, in a separate paragraph, an opinion on whether the financial statements are prepared in accordance with the special purpose framework.

Auditor's Report Prescribed by Law or Regulation

Paragraphs .22–.23 of section 800 include requirements when the auditor is required by law or regulation to use a specific layout, form, or wording of the auditor's report.

These requirements are not included in ISA 800.

Differences Between Requirements

Auditor's Report

Paragraph 13 of ISA 800 requires the auditor's report to describe the purpose for which the financial statements are prepared and, if necessary, the intended users, or refer to a note in the special purpose financial statements that contains that information. Section 800 does not require this description when the special purpose financial statements are prepared in accordance with the cash or tax basis of accounting.

Alerting Readers That the Financial Statements Are Prepared in Accordance With a Special Purpose Framework

Paragraph 14 of ISA 800 requires the auditor's report to include an emphasis-of-matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose. Section 800 does not require the auditor's report to state that the "financial statements may not be suitable for another purpose." However, paragraph .19c of section 800 requires the emphasis-of-matter paragraph to state that the special purpose framework is a basis of accounting other than GAAP. In accordance with paragraph .21 of section 800, the emphasis-of-matter paragraph is not required when the special purpose financial statements are prepared in accordance with a regulatory basis of accounting and the special purpose financial statements together with the auditor's report are intended for general use.

ISA 805, Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement, Compared to Section 805, Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement

Requirements in the ISAs Not in GAAS

Form of Opinion

Paragraph 9 of ISA 805 requires the auditor to consider whether the expected form of opinion is appropriate in the circumstances. This requirement was not included in section 805 because the circumstances to which it relates are not applicable in the United States.

Requirements in GAAS Not in the ISAs

Considerations When Accepting the Engagement and Planning and Performing the Audit

Paragraph .10 of section 805 requires the auditor to obtain an understanding of (a) the purpose for which the single financial statement or specific element of a financial statement is prepared, (b) the intended users, and (c) the steps taken by management to determine that the application of the financial reporting framework is acceptable in the circumstances. The ASB believes this requirement is necessary in determining the acceptability of the financial reporting framework that is applicable to a single financial statement or a specific element of a financial statement.

Paragraph .09 of section 805 requires the auditor to determine whether the auditor will be able to perform procedures on interrelated items as a consideration when accepting the engagement. Paragraph .13 of section 805 includes a requirement for the auditor to perform procedures on interrelated items as necessary to meet the objective of the audit. In the case of an audit of a specific element that is, or is based upon, the entity's stockholders' equity or net income (or the equivalents thereto), paragraph .13 of section 805 further requires the auditor to perform procedures necessary to obtain sufficient appropriate audit evidence about financial position, or financial position and results of operations, respectively, because of the interrelationship between the element and the balance sheet accounts and the income statement accounts.

Materiality

Paragraph .14 of section 805 requires the auditor to determine materiality for the single financial statement being reported on, and in the case of an audit of one or more specific elements of a financial statement, materiality for each individual element reported on.

Reporting on an Incomplete Presentation but One That Is Otherwise in Accordance With GAAP

When the auditor reports on an incomplete presentation but one that is otherwise in accordance with GAAP, paragraph .24 of section 805 requires the auditor to include an emphasis-of-matter paragraph in the auditor's report, alerting users as to the purpose of the presentation and that the presentation is incomplete. ISA 805 does not address reporting on incomplete presentations that are otherwise in accordance with the applicable financial reporting framework.

ISA 805 does not contain these requirements.

Differences Between Requirements

Reporting on the Entity's Complete Set of Financial Statements and a Single Financial Statement or a Specific Element of Those Financial Statements

Paragraph 12 of ISA 805 requires the auditor to express a separate opinion for each engagement when undertaking an engagement to report on a single financial statement or a specific element of a financial statement in conjunction with an engagement to audit the entity's complete set of financial statements. Paragraph .16 of section 805 requires that the separate opinions be in separate auditor's reports and that the report on a specific element include certain information about the auditor's report on the entity's complete set of financial statements.

Paragraph .20 of section 805 address the case of an audit of a specific element of a financial statement when the opinion in the auditor's report on an entity's complete set of financial statements is modified and the modification of the auditor's opinion is relevant to the audit of the specific element. In such cases, the auditor is required to express either an adverse opinion or disclaim an opinion on the specific element, depending on the reasons for the modification of the auditor's opinion on the complete set of financial statements. ISA 805 does not specifically require an adverse opinion or disclaimer of opinion in such circumstances.

Paragraph 16 of ISA 805 addresses situations when the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's complete set of financial statements as a whole, but in the context of a separate audit of a specific element that is included in those financial statements, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element. In addition to the matters in ISA 805, paragraph .21 of section 805 precludes such reporting when the specific element is, or is based upon, the entity's stockholders' equity or net income (or the equivalent thereto).

ISA 810, Engagements to Report on Summary Financial Statements, Compared to Section 810, Engagements to Report on Summary Financial Statements

Differences in Language

Paragraph .05 of section 810 includes more specificity than is in paragraph 3 of ISA 810, including an objective to perform the procedures necessary as the basis for the auditor's opinion on the summary financial statements, and a description of the opinion. The ASB believes that these changes do not create differences between the intent of ISA 810 and the intent of section 810.

Paragraph 6(b)(ii) of ISA 810 requires that management make the audited financial statements available to the intended users of the summary financial statements without undue difficulty. Section 810 requires in paragraph .09b(ii) that management make the audited financial statements readily available. This is not a substantive difference between ISA 810 and section 810. The terminology in section 810 aligns with section 930, *Interim Financial Information*.

If the summary financial statements contain comparatives that were reported on by another auditor, both ISA 810 and section 810 require the auditor's report on the summary financial statements to contain certain matters. Such matters are included directly in paragraph .23 of section 810 and incorporated in paragraph 22 of ISA 810 by reference to ISA 710.

Requirements in the ISAs Not in GAAS

Paragraphs 6–7 of ISA 810 include requirements pertaining to (a) criteria established by law or regulation, (b) situations in which law or regulation does not require the audited financial statements to be made available, and (c) accepting the engagement when required by law or regulation to do so. These requirements were not included in section 810 because they are not applicable to the United States.

Paragraph 9 of ISA 810 permits the use of two different phrases when opining on summary financial statements. Paragraph .14 of section 810 only includes one of these phrases, which is consistent with practice.

Paragraphs 10–11 of ISA 810 address situations when regulation prescribes the wording of the opinion on the summary financial statements in terms that are different from those described in ISA 810. These requirements were not included in section 810 as they are not applicable in the United States.

Paragraph 15 of ISA 810 requires the auditor to evaluate the appropriateness of using a different addressee, if the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial statements. Section 810 does not include this requirement because the ASB believes having different addressees is never appropriate.

Requirements in GAAS Not in the ISAs

Paragraph 6(a) of ISA 810 requires the auditor to determine whether the applied criteria are acceptable. The requirement in paragraph .09a of section 810 was expanded to clarify what constitutes acceptable criteria.

Paragraph .09b(iii) of section 810 requires the auditor to obtain the agreement of management that it acknowledges and understands its responsibility to provide the auditor with written representations, as described in paragraph .12 of section 810. ISA 810 does not include such a requirement.

Paragraphs .12–.13 of section 810 include requirements for the auditor to request management to provide written representations related to the summary financial statements. Such representations are necessary in the United States, particularly in situations when the auditor's report on the summary financial statements is dated later than the auditor's report on the audited financial statements. ISA 810 does not include any requirements for written representations.

Paragraph .16 of section 810 was expanded to require the auditor to withdraw from the engagement to report on the summary financial statements when withdrawal is possible under applicable law or regulation and when the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion. Paragraph .16d of section 810 further clarifies the reporting elements when the auditor issues a report on the summary financial statements in those situations when it is not possible to withdraw from the engagement.

Paragraph .17e(i–ii) of section 810 includes additional elements for the auditor's report on the summary financial statements with regard to the nature of the procedures that were performed by the auditor on the summary financial statements, including that the auditor did not perform audit procedures regarding the audited financial statements after the date of the report on those financial statements if the date of the auditor's report on the summary financial statements is later than the date of the auditor's report on the audited financial statements.

Paragraph .24 of section 810 includes an additional reporting requirement if the summary financial statements contain comparatives that were not reported on by the auditor or another auditor.

Paragraph .27 of section 810 includes additional requirements related to other information, which require the auditor to discuss the matter with management if the auditor identifies a material inconsistency and to consider appropriate further action in the circumstances if the auditor identifies a material inconsistency or becomes aware of an apparent material misstatement of fact.

Differences Between Requirements

Paragraph 17 of ISA 810 addresses the reporting elements when the auditor's report on the audited financial statements contains a qualified opinion, an emphasis-of-matter paragraph, or an other-matter paragraph. In ISA 810, the requirement in this paragraph only applies when the auditor expresses an unmodified opinion on the summary financial statements. In section 810, the requirement in paragraph .20 applies when the auditor expresses either an unmodified opinion or an adverse opinion on the summary financial statements.

Section 810, in paragraph .21, eliminated the reference to the restriction on distribution of the auditor's report in paragraph 20 of ISA 810. In the United States, use of an auditor's report is restricted, not its distribution. An auditor is not responsible for controlling management's distribution of restricted-use reports.

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