



September 2013

A&A Update

The Technical Standards Update of Crowe Horwath International

From the Standards Setters

Sustainability Accounting Standards Board

The Sustainability Accounting Standards Board™ (SASB™) is a non-profit organization that provides standards for use by publicly-listed corporations in the U.S. in disclosing material sustainability issues for the benefit of investors and the public. SASB standards are designed for disclosure in mandatory filings to the Securities and Exchange Commission (SEC), such as the Form 10-K and 20-F.

The SASB, formed in October 2012, released its first standards on July 31, 2013. The provisional standards were issued for six industries in the health care sector—biotechnology, pharmaceuticals, medical supplies and equipment, health care delivery, health care distributors, and managed care. The standards address environmental, social and governance issues likely to fit the Regulation S-K threshold for materiality for companies in the industries.

The SASB guidance is intended to satisfy the requirements for the management's discussion and analysis section of an SEC filing as described in Item 303 of Regulation S-K. The SASB plans to roll out standards for more than 80 industries in the next two years; the next set of releases is expected to cover companies from the financial, technology, and nonrenewable resource sectors.

Click [here](#) to visit the SASB website.

Not-For-Profit Entities Excluded from FASB's Proposed Definition of a Public Business Entity

FASB does not include NFP and employee benefit plans in its new definition of public business entities in its latest exposure draft.

FASB is defining a public business entity to prevent confusion over which entities can apply the alternatives within GAAP being developed for private companies by the Private Company Council (PCC). The board described the proposal in an issue of [FASB in Focus](#) released 7 August.

Click [here](#) to access the ED.

FASB Issues Private Company Council Proposal on Consolidation of Variable Interest Entities

The FASB has issued for public comment a proposal outlining an alternative within U.S. GAAP for applying consolidation guidance to leasing companies under common control. Stakeholders are asked to provide comments on the Exposure Draft by October 14, 2013.

The proposed GAAP alternative, Applying Variable Interest Entity Guidance to Common Control Leasing Arrangements (formerly FIN 46(R) and FAS 167), would exempt many private companies from applying variable interest entity guidance to lessor companies under common control. A variable interest entity is a company in which controlling financial interest is not established based on a majority of voting rights.

You can view the ED [here](#).

From the Regulators

PCAOB Proposes New Auditor Report Model

The PCAOB has proposed sweeping changes to the auditor's reporting model for U.S. public companies that would include a requirement for auditors to identify and describe "critical audit matters."

In addition, [new standards and related amendments](#) proposed by the PCAOB would require:

- **A statement of auditor independence.** This would explain that the auditor is a public accounting firm registered with the PCAOB and is required to be independent with respect to the company.
- **Tenure disclosure.** The audit firm would disclose the year it began serving as a company's auditor.
- **Other information explanation.** The auditor would be required to describe the procedures and evaluation the firm performed on other types of information included in the annual report outside the financial statements.
- **Language enhancements.** These would change existing language in the auditor's report related to the auditor's responsibilities for fraud and notes to the financial statements.

The "critical audit matters" (CAM) discussion sounds a lot like the "key audit matters" (KAM) discussion proposed in the IAASB proposal released last month, but there are many differences in the 2 proposals.

The PCAOB is requesting comments on its proposal by December 11, 2013. The proposed effective date is for audits of periods beginning after December 15, 2015, i.e. calendar 2016 audits.

Headlines from Around the World

India Moves Towards Mandatory Audit Firm Rotation

The Companies Bill has now been adopted by both houses of the legislature and awaits Presidential signature. The bill provides for firm rotation every 10 years. Additional provisions make audit firms and partners liable to civil and criminal charges if they are found to have "acted in a fraudulent manner or abetted or colluded in any fraud by, or in relation to, the company or its directors or officers."

Crowe Horwath LLP to Take Majority Stake in Chan Healthcare

Crowe Horwath LLP and US healthcare internal audit service provider Chan Healthcare have signed a letter of intent to combine resources and establish a strategic business partnership. The transaction is scheduled to close this autumn, pending completion of due diligence and the signing of a definitive agreement. Missouri based Chan Healthcare is a joint partnership of US healthcare systems Ascension Health and Catholic Health Initiatives (CHI) founded in 1997.

Useful Links

- International Accounting Standards Board (IASB) www.iasb.org
- [IASB Exposure Drafts open for comment](#)
- International Auditing and Assurance Standards Board (IAASB) www.ifac.org/iaasb
- International Federation of Accountants (IFAC) www.ifac.org
- [IFRS Interpretations Committee \(IFRIC\)](#)
- Financial Accounting Standards Board (FASB) www.fasb.org
- Public Company Accounting Oversight Board (PCAOB) www.pcaob.org
- [American Institute of CPAs Auditing Standards Board \(AICPA ASB\)](#)
- United States Securities and Exchange Commission (SEC) www.sec.gov
- European Commission (EC)
- Forum of Firms (FoF)
- Transnational Auditors Committee (TAC)
- [TAC Guidance Statement No. 1, Definition of Transnational Audit](#)
- UK Financial Reporting Council www.frc.org.uk
- [AICPA Center for Audit Quality document explaining PCAOB inspections](#)
- Sustainability Accounting Standards Board (SASB)

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