



September 2015

Technical Roundup

The Technical Standards Update of Crowe Horwath International

From the International Auditing and Assurance Board (IAASB)

Reporting on Summary Financial Statements

The IAASB released an Exposure Draft proposing conforming changes to [ISA 810, *Engagements to Report on Summary Financial Statements*](#) as a result of the issuance of its [new and revised Auditor Reporting standards](#), which address auditor reporting on general purpose financial statements. Comments are requested 2 by November 2015.

Disclosures

The IAASB has released a revised [ISA, *Addressing Disclosures in the Audit of Financial Statements*](#). This includes revisions to many standards in order to focus auditors more clearly on disclosures throughout the audit process and to strive for consistency in applying the ISA requirements. Along with the standard, the IAASB staff published a guide, [Addressing Disclosures in the Audit of Financial Statements](#) that describes financial reporting disclosure trends, and their possible audit implications and also highlights how ISA can guide the auditor in addressing disclosures. See also the staff-prepared [Basis for Conclusions](#), which explains the IAASB's rationale for its decisions, and [At a Glance](#), which explains the main changes to the ISA.

Non-compliance with Laws and Regulations

In July, the IAASB released an Exposure Draft, [Proposed Amendments to the IAASB's International Standards—Responding to Non-Compliance or Suspected Non-Compliance with Laws and Regulations](#), to propose amendments to ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*. The ED also proposes less extensive changes to seven other standards. This ED is in response to the IESBA's May 2015 Re-Exposure Draft, [Responding to Non-Compliance with Laws and Regulations](#). Comments are due by 21 October 2015.

Auditor Reporting

An Exposure Draft, [Proposed International Standard on Auditing \(ISA\) 810: Engagements to Report on Summary Financial Statements](#) was issued as a result of the IAASB's [new and revised Auditor Reporting Standards](#). The deadline for comments is 2 November 2015.

Engagement Partner Responsibilities

In August, the IAASB issued a staff audit practice alert, *Responsibilities of the Engagement Partner in Circumstances when the Engagement Partner is Not Located Where the Majority of the Audit Work is Performed*. The Alert addresses some concerns including how the engagement partner has taken responsibility for the work, the adequacy of the audit documentation, and the sufficiency of the audit evidence. This alert is not an authoritative pronouncement of the IAASB, nor does it amend or override ISA.

From the International Accounting Standards Board (IASB)

Revenue

Following a public consultation, the IASB voted to confirm a one-year deferral of the effective date of, IFRS 15 *Revenue from Contracts with Customers*, to 1 January 2018. The revenue Standard was issued jointly by the IASB and the US Financial Accounting Standards Board (FASB) in May 2014 with an effective date of 1 January 2017. Both Boards have deferred application of the standard for one year. Companies applying IFRS continue to have the option to apply the Standard earlier if they wish to do so.

Read the full press release [here](#).

IFRS 3 Post-Implementation Review

In June, the IASB added two projects to its standard-setting agenda to address some aspects of IFRS 3 that require changes. They will re-look at the complexity of the impairment test for goodwill and subsequent accounting for goodwill, the application of the definition of a business, and the fair value measurements of intangible assets. See the full press release [here](#).

Pension Accounting

The IASB published for public comment proposed changes to the pension accounting requirements designed to improve information to investors and address some diversity in practice. Comments on the Exposure Draft *Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan (Proposed amendments to IAS 19 and IFRIC 14)* are due by 19 October 2015.

Access the Exposure Draft [here](#).

From the International Ethics Standards Board for Accountants (IESBA)

The IESBA issued an Exposure Draft (ED), [Responding to Non-compliance with Laws & Regulations](#), and requested comments by 4 September 2015. The proposals guide auditors and other professional accountants in public practice and business on how to respond when they encounter acts, or suspected acts, of non-compliance with laws and regulations in the course of their work. The staff prepared [At a Glance: Responding to Non-compliance with Laws & Regulations](#) to outline the key principles. At its December 2015 meeting, the IESBA will consider the significant comments they received on the Exposure Draft.

Sustainability Auditing Standards Board (SASB)

In late June, the SASB issued provisional industry standards for seven consumer staples industries ([Consumption 1 sector](#)). The standards are intended to guide the disclosure of material sustainability information in standard SEC filings for these industries: agricultural products; meat, poultry and dairy; processed foods; nonalcoholic beverages; alcoholic beverages; tobacco; and household and personal products. The Board's process includes a one-year provisional phase for its guidance during which it hopes to receive public comments.

From the American Institute of CPAs (AICPA)

Code of Conduct

The AICPA completely updated the *Code of Professional Conduct* to make navigation easier. The new Code is now effective.

Audit Reports

In August, the AICPA issued for comment, *Proposed Amendment to Statement on Auditing Standards No. 122 Section 700, Forming an Opinion and Reporting on Financial Statements*. The proposal addresses the layout and wording of auditor reports that follow both GAAS and PCAOB standards. If finalized, the changes will be effective for audits of periods that end on 15 December or later. Comments are due by 30 September.

Q&A for Required Supplementary Engagements

The Q&A provides non-authoritative guidance regarding the application of AU 730 addresses a specific issue about auditor independence.

Audit Guides

The AICPA has issued updates to the Audit and Accounting Guides (AAG) for construction contractors; investment companies; preparation, compilation, and review engagements; and state and local governments as follows:

- Construction Contractors – to reflect the deferral of the effective date of the revenue recognition standard and information about recent changes to percentage-of-completion financial statements and supplemental information disclosures, including sample auditors' reports.
- Investment Companies - includes the new definition of an investment company and a new appendix discussing auditing and regulatory guidance specific to investment companies, background on the investment company industry, and interpretive guidance for new and existing rules.
- Preparation, Compilation, and Review Engagements - updated to reflect SSARS No. 21. It includes updated illustrative engagement and representation letters and accountants' reports and detailed illustrative client inquiries and illustrative analysis for reviews.
- State and Local Governments - guidance for governmental pension accounting and reporting, new guidance related to calculating the net pension liability and updates to the illustrative auditor's reports.
- Depository and Lending Institutions – revisions related to ASU 2015-10 and SAS 129.
- Property and Liability Insurance Entities - revisions related to ASU 2015-09 and PCAOB AS 18
- Service Organizations - provides "how-to" guidance for service auditors performing examinations under AT Section 101, *Attest Engagements*, to report on a service organization's controls over its system involving its security, availability, processing integrity, confidentiality, or privacy, commonly referred to as a service organization controls (SOC) 2 engagement.

From the Financial Accounting Standards Board (FASB)

Revenue

The FASB has delayed the effective date of the revenue recognition standard for one year. The standard will be effective for fiscal years that start after 15 December 2017, for public companies, some not-for-profit organizations, and employee benefit plans. The standard should be applied to the first financial reports filed in those fiscal years, which for public companies will mean the first quarterly filing for 2018. The FASB is permitting the option of using the standard for fiscal years that begin after 15 December 2016. Private companies and other organizations will apply the standard for their reports for fiscal years that start after 15 December 2018, and for quarterly and other interim financial statements for fiscal years that start after 15 December 2019. The revenue Standard had been issued jointly by the FASB and the IASB in May 2014 with an effective date of 1 January 2017.

Following are the recent Proposed Accounting Standards Updates (ASUs) and their comment due dates. Each has a link to the Exposure Draft.

| Proposed ASUs | Comments due |
|---|---------------------|
| <i>Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the Emerging Issues Task Force)</i> | 5 October 2015 |
| <i>Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (a consensus of the Emerging Issues Task Force)</i> | 5 October 2015 |

Following are the recently issued final ASUs and their effective dates. Each has a link to the final standard.

- 2015-11 / ***Inventory (Topic 330): Simplifying the Measurement of Inventory***. Public business entities must apply the new requirements prospectively for fiscal years beginning after 15 December 2016, including interim periods within those fiscal years. All other entities must apply the new requirements prospectively for fiscal years beginning after 15 December 2016, and interim periods within fiscal years beginning after 15 December 2017. All entities have the option of earlier application, prospectively as of the beginning of either an interim or annual reporting period.
- 2015-12 / ***Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient (consensuses of the Emerging Issues Task Force)***. The new requirements are effective for employee benefit plans with fiscal years beginning after 15 December 2015. All entities have the option of adopting the new requirements early.
- 2015-13 / ***Derivatives and Hedging (Topic 815): Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Markets (a consensus of the Emerging Issues Task Force)***. The new requirements are effective upon issuance on 10 August 2015.
- 2015-14 / ***Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date***. The amendments in this Update defer the effective date of Update 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in Update 2014-09 to annual reporting periods beginning after 15 December 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after 15 December 2016, including interim reporting periods within that reporting period.

All other entities should apply the guidance in Update 2014-09 to annual reporting periods beginning after 15 December 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. All other entities may apply the guidance in Update 2014-09 earlier as of an annual reporting period beginning after 15 December 2016, including interim reporting periods within that reporting period. All other entities also may apply the guidance in Update 2014-09 earlier as of an annual reporting period beginning after 15 December 2016, and interim reporting periods within annual reporting periods beginning one year after the annual reporting period in which the entity first applies the guidance in Update 2014-09.

From the Securities and Exchange Commission (SEC)

In July, the SEC published [Concept Release No. 33-9862, Possible Revisions to Audit Committee Disclosures](#). The potential enhancements to the disclosure rules for audit committees focus on giving more information to investors about the audit committee's oversight of their independent auditors. Comments were due 8 September.

From the Public Company Accounting Oversight Board (PCAOB)

Disclosure of Audit Engagement Partner

The PCAOB has proposed requiring firms to file a new PCAOB form to make public the name of the audit engagement partner and information about certain other participants in the audit. Audit firms would use Form AP to disclose the name of the engagement partner on the audit, along with information about certain other participants. The Forms would be posted and made searchable on the PCAOB's website. Auditors could also voluntarily disclose the information in the auditor's report. Comments were due 31 August 2015. See a fact sheet on the proposal [here](#).

Audit Quality Indicators (AQIs)

The PCAOB has issued a concept release on audit quality indicators. The concept release seeks comments on 28 potential AQIs, covering three broad categories: Audit Professionals, Audit Process and Audit Results. Comments are due 28 September 2015. See the [fact sheet](#) for more information.

Update

Find the latest updates:

- [IFRS for SMEs Update](#)
 - [IFRIC Update](#)
 - [IASB Update](#)
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