

Agenda Item 4



Selected Procedures

Objective of Agenda Item

To review and obtain feedback from the ASB on issues related to and a revised draft of a proposed standard dealing with engagements to perform selected procedures.

Background

The Selected Procedures Task Force consists of the following members:

Denny Ard (Task Force Chair) – Member of the ARSC
Jeremy Dillard – Member of the ARSC
Marne Doman – PricewaterhouseCoopers LLP
Dan Hevia – Member of the ASB
David Johnson – Member of the ARSC
Michael Manspeaker – Member of the AICPA’s Technical Issues Committee
Paul Penler – Ernst & Young LLP
Chad Singletary – Member of the ASB

The Task Force is staffed by Mike Glynn. The Chairs of the ARSC and ASB (Mike Fleming and Mike Santay, respectively) and the Chair of the Direct Engagements Task Force (Cathy Schweigel) have observer rights to the Task Force meetings.

The Task Force was charged by the ARSC and the ASB to develop a standard that would result in a new service in which CPAs would perform procedures and report on the results of those procedures – without being required to request or obtain an assertion from the engaging party or restrict the use of the report. The project is a joint effort of the ARSC and the ASB.

The Task Force has been given the following directives in the development of the proposed standard:

- The standard is to be engagement driven
- No assertion is required to be requested or obtained
- The report would present procedures and related findings without expression of an opinion, a conclusion, or any form of assurance on the subject matter
- There would be no requirement to restrict the use of the report
- The standard is to be silent regarding any party being required to take responsibility for the sufficiency of the procedures

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- The term ‘responsible party’ is not to be used

The Task Force presented certain issues with respect to the development of the proposed standard to the ASB at the ASB’s meeting in May 2016 and presented a first-read draft of the proposed standard to the ASB at its meeting in August 2016 and a revised draft to the ASB at its meeting in October 2016.

Issues for Discussion with ASB

Issue #1 – Responsibility for the Procedures Performed

Pursuant to the feedback provided by the ASB at its meeting in October 2016, the proposed standard does not prescribe who, if anyone, should take responsibility for the sufficiency of the procedures. However, the Task Force proposes that, while the engaging party is not required to take responsibility for the sufficiency of the procedures for any purpose, the standard will require that the practitioner obtain a written acknowledgment from the engaging party regarding the procedures performed prior to issuance of the practitioner’s report (see paragraph X.13 of the proposed standard). Such acknowledgement may be included in the engagement letter, an amendment to the engagement letter, in a representation letter, or some other written communication (see paragraph X.A25 of the proposed standard). The procedures can be developed by the client, the practitioner, a third party, or any combination (see paragraph X.A1 of the proposed standard).

There is a risk that if the practitioner develops the procedures to be performed, users of the practitioner’s selected procedures report may assume that the practitioner has concluded that the procedures are sufficient as to purpose. To address such risk, the proposed standard includes the following as application paragraph X.A38 (to the reporting requirements):

X.A38 Unless the practitioner takes responsibility for the sufficiency of the procedures performed, it would not be appropriate to imply that the practitioner takes such responsibility, as doing so could be misleading to potential users of the practitioner’s selected procedures report. However, the practitioner is not precluded from making an explicit statement that the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the practitioner’s report has been requested or for any other purpose.

Action Requested of the ASB

The ASB is asked to provide feedback to the Task Force as to the Task Force’s consideration of the practitioner’s and the engaging party’s responsibilities with respect to the procedures performed.

Issue #2 – Common Concepts for Non-Assertion Based Attestation Standards

The Task Force has not made any revisions to the proposed chapter that was presented to the ASB in October 2016.

It was the Task Force’s understanding that, at its meeting in October 2016, the ASB had directed that AT-C section 105, *Concepts Common to All Attestation Engagements* be

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revised so that it addresses all attestation engagements (those engagements covered by current AT-C sections and the proposed direct examination, direct review, and selected procedures engagements). However, since the October 2016 meeting, the Task Force Chair and staff met with the Chairs of the ASB and ARSC as well as the Chair and staff of the Direct Engagement Task Force. At that meeting, it was decided that a new common concepts chapter would be developed that addressed only the non-assertion based attestation standards.

The Task Force plans to present the proposed revised common concepts chapter to the ASB at its meeting in May 2017. The proposed chapter will use AT-C section 105 as a base and show proposed changes to that section in redline format.

Action Requested of the ASB

The ASB is asked to consider whether it agrees with direction provided to the Task Force to develop a common concepts chapter that would address only non-assertion based attestation standards.

Issue #3 – Written Representations

At the ASB's meeting in May 2016, the Task Force proposed that the practitioner would not be required to obtain written representations but that the standard would provide examples of situations in which the practitioner may find obtaining written representations useful. While certain ASB members had some concern about a requirement for the practitioner to "consider" obtaining written representations, it had no objection to the Task Force moving forward as it had proposed.

Since that time, at the direction of the ARSC, the Task Force reconsidered its original proposal as to whether it made sense for the proposed selected procedures standard to be inconsistent with the agreed-upon procedures standard with respect to requesting written representations. Considering factors such as permitting general use and permitting the practitioner to develop the selected procedures, the Task Force concluded that the practitioner should be required to request written representations from the engaging party. The revised requirements are included as paragraphs X.18 – X.21 of the proposed standard.

Action Requested of the ASB

The ASB is asked to provide feedback to the Task Force as to whether it agrees with the Task Force's proposal to have the requirements with respect to requesting written representations be consistent with the agreed-upon procedures standard.

Issue #4 – Reporting

Pursuant to feedback provided by the ASB at its meeting in October 2016, the proposed reporting requirements result in a report that describes the intended purpose of the engagement in such a manner as to not imply that the practitioner has expressed an opinion or conclusion on the subject matter (see paragraph X.24c(iii) of the proposed standard).

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The proposed reporting and the engagement letter requirements are consistent with respect to referring to the “purpose” of the engagement vs. the “objective” of the engagement (see paragraphs X.5 and X.24c)

Illustrative reports are presented that show (a) just the minimum reporting requirements and (b) additional non-required limitations language that could be included in the report based on the practitioner’s judgment. Additionally, the ARSC had directed that the Task Force prepare an illustrative report when specified procedures are applied to elements. The Task Force has not yet prepared such an illustration.

Action Requested of the ASB

The ASB is asked to provide feedback to the Task Force as to the proposed reporting requirements and the proposed illustrative reports (e.g., should the two illustrative reports be combined into one or kept separate).

Issue #5 – Restricted-Use Reporting

At its meeting in August 2016, the ASB directed that the Task Force delete the requirements with respect to restricted-use reporting. Subsequently, at its meeting in November 2016, the ARSC directed that since the practitioner can restrict the use of the selected procedures report, in order to provide guidance to the practitioner, the requirements and guidance with respect to restricted use reporting should be retained. The Task Force believes it will be common to restrict the use of the practitioner’s selected procedures report (e.g., report restricted to customers of the engaging party because the procedures relate to customer contractual provisions) and agrees with the ARSC with respect to this issue.

The requirements for restricted-use reporting are included as paragraphs X.25-X.28 of the proposed standard.

Action Requested of the ASB

The ASB is asked to consider the Task Force’s conclusion with respect to restricted-use reporting and whether the proposed requirements and application paragraphs are appropriate.

Next Steps

The following represents the Task Force’s timetable for future presentations to the ASB and ultimate issuance of the proposed standard:

- May 2017– Revised drafts of the proposed selected procedures standard and the common concepts chapter to be presented to the ASB. The ASB will be requested to consider voting to expose the proposed selected procedures standard for public comment. The ASB will determine whether such proposed standard should be exposed immediately or whether it should be exposed with the proposed common concepts (and perhaps the proposed direct engagement) standard.

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- July 2017 – ASB to be requested to consider voting to expose the proposed common concepts chapter for public comment.
- October 2017 – If exposed in May/June 2017, the ASB to consider comments received on the exposure draft of the proposed selected procedures standard.
- January 2018 – If comments received on the exposure draft of the proposed selected procedures standard were considered at the ASB’s meeting in October 2017, a final draft of such standard will be presented to the ASB with a request that the ASB consider voting to issue as a final standard. The ASB will be requested to consider comments received on the exposure draft of the proposed common concepts chapter (and, if not discussed at the October 2017 ASB meeting, the comments received on the exposure draft of the proposed selected procedures standard).
- May 2018 – ASB to be requested to consider voting to issue the proposed common concepts chapter as a final standard (and, if not yet issued, the proposed selected procedures standard).

Agenda Items Presented:

Agenda item 4A Draft proposed standard, *Specified Procedures*