

**Accounting and Review Services Committee  
Meeting Highlights  
May 17-19, 2016**

**Committee members present:**

Mike Fleming, Chair  
Denny Ard  
Sheila Balzer  
Jimmy Burkes  
Jeremy Dillard  
Aron Dunn  
Kelly Hunter

**AICPA staff present:**

Doug Bowman – Senior Technical Manager, Accounting & Auditing Publications  
Mike Glynn – Senior Technical Manager, Audit & Attest Standards; Staff Liaison –  
Accounting and Review Services Committee  
Michael Jones – Assistant General Counsel  
Chuck Landes – Vice President, Professional Standards  
Ashley Matthews – Technical Manager, Member Learning & Competency Portfolios  
Carl Mayes – Senior Technical Manager – Special Projects, Public Practice & Global  
Alliances (via telephone for discussion on AICPA’s ARAG only)  
Richard Miller – Special Counsel  
Linda Volkert - Staff Liaison to the PCPS Technical Issues Committee, Firm Services  
and Global Alliances Team, Center for Plain English Accounting

**Observers:**

Laura Billingsley – Practitioners Publishing Company  
David Finkelstein – SingerLewak LLP  
Dustin Verity – Verity CPAs (May 17 and 18 only)  
Duncan Will – CAMICO Insurance Loss Prevention Manager, Accounting & Auditing  
Loss Prevention Specialist

The Accounting and Review Services Committee (the “ARSC” or the “Committee”) met May 17-19, 2016 in Anaheim, CA. The following issues were discussed:

***Welcome and overview of meeting objectives***

**Chair’s Report**

M. Fleming welcomed the ARSC members, AICPA staff, and observers to the meeting and stated that the ARSC will discuss the comment letters received on the proposed SSARs *Compilation of Prospective Financial Information*, *Compilation of Pro Forma Financial Information*, and *Omnibus – 2016*; a first read draft of a proposed standard on specified procedures; and issues with respect to reference to the work of other accountants in an accountant’s review report and international reporting issues. The ARSC will also liaise with the California Society of CPAs’ APAS Committee. Mr. Fleming acknowledged that the ARSC has been very active on Task Forces, including

ASB Task Forces, and SSARSs publications and thanked the committee members for their dedication and service.

### Director's Report

C. Landes reported that L. Volkert is retiring from the AICPA in the Fall of 2016 after a distinguished career. The Committee gave L. Volkert a round of applause in appreciation of her service.

C. Landes stated that the ASB last met in January 2016 and is meeting the week subsequent to the ARSC meeting. The ASB discussed development of a standard addressing direct engagements. A direct engagement is a form of attestation engagement in which the responsible party does not provide the practitioner with an assertion. An assertion is a declaration about whether the subject matter is in accordance with or in compliance with stated criteria.

C. Landes also stated that the ASB is proposing a new standard regarding when a practitioner is engaged to provide assistance in an exempt securities offering. The proposal includes certain action items including updating subsequent events testing. The work would be consistent with what a practitioner would do in an SEC engagement. R. Miller stated that the key is when the practitioner is deemed to be involved. Unlike association, the practitioner cannot be involved by accident – the practitioner would have to ask to be involved, be requested to be involved, or engaged to do something. R. Miller stated that the proposed standard will help with a current diversity in practice.

C. Landes stated that the ASB is expected to consider voting to expose a proposed standard for public comment that would replace the current requirements and guidance with respect to the auditor's consideration of an entity's ability to continue as a going concern. When the FASB issued the new accounting standard, the ASB issued interpretations to bridge to a new standard. The proposed standard will result in consistency between the period management assesses the entity's ability to continue as a going concern and that which the auditor is required to assess. The proposed standard also reminds auditors that because the accounting standard addresses "close calls" that disclosures have to be in accordance with the accounting literature. The proposed standard is framework neutral.

C. Landes stated that the PCAOB has re-exposed its proposed auditor reporting standard and that the revised proposal is closer to the IAASB auditor reporting standard. One obvious revision is the requirement that the auditor's opinion appear first in the report. While the ASB has traditionally not mandated the order of the report elements, it will need to consider prescribing the ordering to be consistent with the IAASB standard and the proposed PCAOB standard.

C. Landes stated that a new Audit/Attestation Guide addressing cybersecurity is expected to be issued in late 2016 or early 2017. In addition, a new Audit Analytics Guide will be issued to replace the Analytical Procedures Guide. The new Guide, expected to be issued in late 2017, will show how the auditor can use technology to perform more effective

analytical procedures as well as other auditing procedures leveraging data available to the auditor.

### ***Compilation of Prospective Financial Information***

M. Fleming presented the agenda materials and advised that the objective was to discuss issues raised in the comment letters received on the proposed SSARSs *Compilation of Prospective Financial Information* and to consider proposed revisions to the draft SSARS as a result of the comments received and to consider voting to issue as final SSARS.

### **Written Representations in a Compilation of Prospective Financial Information**

The exposure draft of the proposed SSARS, *Compilation of Financial Statements* did not include a requirement for the accountant to obtain written representations. This contrasts with extant AT section 301, *Financial Forecasts and Projections* which includes such a requirement.

As part of the exposure draft, the ARSC included a specific request for comment asking respondents to respond specifically as to whether they agree with the decision to not require written representations in a compilation of prospective financial information and provide reasoning.

Six of the eight respondents directly responded to the request for comment. Four of the respondents (Texas Society of CPAs – Professional Standards Committee; RSM US LLP; Grant Thornton LLP; and AICPA Technical Issues Committee) are supportive of the decision to not include a requirement for the accountant to obtain written representations in a compilation of prospective financial information while two of the respondents (New Jersey Society of CPAs – Accounting and Auditing Standards Interest Group and CAMICO) are opposed.

After discussion and consideration of the specific comments received, the ARSC determined that the SSARS should not contain any requirement with respect to obtaining or consideration of obtaining written representations in a compilation of prospective financial information.

### **Suitable Criteria**

Paragraph .A1 of the exposure draft of the proposed SSARS, *Compilation of Prospective Financial Information* reads as follows:

- .A1** The guide provides suitable criteria for the preparation and presentation of prospective financial information. While this section refers to the guide, the accountant is not prohibited from performing a compilation engagement on prospective financial information prepared and presented in accordance with other suitable criteria. If other suitable criteria are used, this section should be adapted as necessary.

The draft of the proposed standard moves the guidance to paragraph 3.

When considering the guidance prior to the issuance of the exposure draft the ARSC members could not immediately identify any sources of suitable criteria for the preparation and presentation of PFI other than the AICPA Guide *Prospective Financial Information*. However, the ARSC did not want to preclude an accountant from performing a compilation of PFI if other suitable criteria was developed.

The guidance in the proposed SSARS is not included in the clarified attestation standards for examinations of prospective financial information. Additionally, unlike the clarified attestation standards, the proposed SSARS does not provide any detail that an accountant can use to determine whether criteria is suitable.

A further issue is how the section would be “adapted as necessary”. Much of the guidance in the proposed SSARS is based on preparation and presentation concepts in the guide that may not exist in the alternative criteria. For example, the concepts of expectations, hypothetical assumptions, and general and limited use are in the presentation guidelines included in the guide but may not be included in the “other criteria.”

After discussion, the ARSC concluded that it continues to support the inclusion of guidance stating that an accountant may perform a compilation of prospective financial information prepared and presented in accordance with criteria other than that contained within the guide. The ARSC concluded that no additional guidance with respect to determining whether criteria is suitable needs to be included in the draft SSARS. Some guidance may be considered for inclusion in the guide.

#### Overall consideration of the draft SSARS

After discussion and consideration of the comment letters received on the proposed standard, the ARSC directed that the draft standard be revised so that the requirements and guidance for compilations of prospective financial information hangs off of AR-C section 80. Any necessary incremental requirements and guidance would be included in either a separate AR-C section, as a revision to AR-C section 80, or in the proposed Prospective Financial Information Guide. The ARSC directed that a draft of any proposed revisions to the SSARSs be presented to the ARSC at its meeting in August 2016.

#### ***Compilation of Pro Forma Financial Information***

M. Fleming presented the agenda materials and advised that the objective was to discuss issues raised in the comment letters received on the proposed SSARSs *Compilation of Pro Forma Financial Information* and to consider proposed revisions to the draft SSARS as a result of the comments received and to consider voting to issue as final SSARS.

After discussion, J. Dillard made a motion to approve the issuance of the proposed SSARS *Compilation of Pro Forma Financial Information* as a final SSARS. The motion was seconded by J. Burkes and passed unanimously.

#### ***Omnibus - 2016***

M. Fleming presented the agenda materials and advised that the objective was to discuss issues raised in the comment letters received on the proposed SSARSs *Omnibus Statement on Standards for Accounting and Review Services* and to consider proposed revisions to the draft SSARS as a result of the comments received and to consider voting to issue as final SSARS.

After discussion, the ARSC directed that:

- Guidance with respect to accountants who are not in the practice of public accounting should not be included in the SSARSs. Instead, such guidance could be included in the Guide.
- Guidance regarding engagement acceptance when the accountant determines to accept responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements should not be included in the SSARSs. Instead such guidance could be included in the Guide.
- References to subject matter other than historical financial information (such as prospective financial information, and pro forma financial information) could be addressed in an interpretation stating that, if the subject matter of the engagement is other than historical financial information, references in SSARSs to historical financial information should be taken as a reference to such other financial information.

The ARSC directed that the draft be presented to the ARSC at its meeting in August 2016 and that, at that time, the ARSC would consider voting to issue as a final SSARS.

### ***Specified Procedures***

D. Ard presented the agenda materials and advised that the objective was to review and obtain feedback from the ARSC on issues related to a first-read draft of a proposed standard dealing with engagements to perform specified procedures.

D. Ard stated that the Specified Procedures 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 was 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
- There would be no requirement to restrict the use of the report

### Independence/Objectivity

D. Ard stated that the Specified Procedures Task Force drafted the proposed standard so that the practitioner would not be required to be independent but, if the practitioner is not independent, the impairment would be required to be disclosed in the specified procedures report. After discussion, the ARSC concluded that since the practitioner performing such procedures does obtain evidence in order to report on the results of the procedures, independence should be required for the performance of a specified procedures engagement.

The ARSC also noted that it is PEEC'S responsibility to specify how independence would be determined, including defining "covered members" for this purpose.

### Preconditions for the Performance of a Specified Procedures Engagement

D. Ard explained that considering that the agreed-upon procedures engagement is well established and accepted by users of practitioner's reports, the Task Force determined that there should be some parameters around when a specified procedures engagement would be performed instead of an agreed-upon procedures engagement. The Task Force proposed that the standard should not be applicable when the practitioner is aware that the engaging party:

- Plans to engage a practitioner to perform a specified procedures engagement instead of an agreed-upon procedures engagement as required by applicable laws or regulations, contract, or market practices (for example, royalty audits), or
- Has a responsibility, pursuant to applicable laws or regulations, contract, or market practices, to:
  - Conclude that the subject matter is in accordance with the criteria,
  - Measure the subject matter against certain criteria (for example, regulations), or
  - Conduct an engagement addressed by existing agreed-upon procedures guidance.

The ARSC disagreed with the Task Force's proposed approach to include certain preconditions for the performance of a specified procedures engagement and directed that the proposed standard include no such preconditions.

Further, the ARSC disagreed with the Task Force's proposal to require the engaging party to accept responsibility for the specified procedures as the engaging party may not have a basis for determining the sufficiency of the procedures. Instead, the practitioner would be required to design and perform the specified procedures to meet the objective of the engagement. The engaging party would have the responsibility to specify only the overall objective.

### General Use Reporting

The ARSC agreed with the Task Force's proposed approach to permit general use specified procedures reports.

### Written Representations

The ARSC agreed with the Task Force's proposal to not require the practitioner to obtain written representations in a specified procedures engagement.

### Reporting Requirements

The ARSC deferred consideration of the reporting requirements until its next public meeting in August 2016.

### SSARS vs. SSAE

D. Ard advised that in developing the proposed standard, the Task Force did not limit the development so as to fit into any particular set of standards instead focusing on developing a service that meets a market demand. As such, certain elements of the proposed standard more closely resemble an engagement in accordance with SSARSs (independence requirements, no assertion required) while other elements more closely resemble an engagement performed in accordance with the SSAEs (subject matter other than historical financial statements). While the initial draft of the standard is in the form of an SSAE, the Task Force feels that a final decision as to the applicable standards should not be made at the current time as the answer may become evident as other issues are worked through. While the ARSC preliminarily felt that the standard would be most appropriate as an SSAE, it deferred a final decision for a subsequent meeting.

### ***Discussion on AICPA's Assurance Research Advisory Group (ARAG)***

C. Mayes addressed the ARSC and advised about the ARAG and requested that the ARSC members provide potential research topics directly to him. The ARAG is meeting on June 30, 2016 and at that meeting the ARAG will select projects to be included in requests for proposal. S. Balzer represents the ARSC on the ARAG.

### ***Reference to the Work of Other Accountant's in an Accountant's Review Report and International Reporting Issues***

M. Glynn presented the agenda materials and advised the ARSC that the objective was to consider issues related to the work of other accountants in an accountant's review report and certain international reporting issues.

After discussion, the ARSC agreed with the proposals:

- That precluded the accountant from referencing, in the accountant's review report, the review or audit report of other accountants if such other accountant's report is restricted as to use
- When other accountants review or audit the financial statements of a significant component which are prepared using a financial reporting framework different from that used for the financial statements of the reporting entity
- When financial statements of a significant component are reviewed or audited in accordance with standards other than SSARSs or GAAS

- When financial statements are prepared in accordance with a financial reporting framework generally accepted in another country.

Review engagement performed in accordance with both SSARSs and another set of review standards

M. Glynn reminded the ARSC that in February 2016, the ARSC issued Interpretation 1 to AR-C section 90 entitled “Considerations Related to Reviews Performed in Accordance With International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*”. It is proposed that the guidance from that Interpretation be expanded and included in AR-C section 90. After discussion, the ARSC concluded that it agreed with the proposal but directed that a proposed appendix to AR-C section 90 that summarizes incremental planning and performance procedures that an accountant engaged to perform a review in accordance with ISRE 2400 (Revised) would be required to perform should not be included in the proposed standard. Instead, the explanatory paper that would accompany the exposure draft should include a specific question for respondents to consider asking whether such an analysis would be necessary.

The ARSC directed that a proposed exposure draft be presented at the August 2016 ARSC meeting. At that time, the ARSC will consider voting to expose the proposed standard for public comment.

***Liaison with the California Society of CPAs’ APAS Committee***

The ARSC met with representatives of the California Society of CPAs’ APAS Committee and discussed implementation issues with respect to SSARS 21.

***Wrap-up***

The next in-person meeting of the ARSC will be August 9-11, 2016 in Asheville, NC. At that meeting, the ARSC expects to:

- Consider a final draft of the proposed SSARS *Compilation of Prospective Financial Information and Omnibus – 2016* and consider voting to issue as a final standard
- Consider a second read draft of the proposed SSAE *Specified Procedures*
- Consider a revised draft of the proposed SSARS addressing referencing the work of other accountants in an accountant’s review report and certain international reporting issues and consider voting to expose such proposed standard for public comment

Dates and locations for subsequent ARSC meetings are as follows (specifics of the meeting agendas for these meetings will be determined at a later date):

- November 15-16, 2016 – San Antonio, TX

- January 17-19, 2017 – Key West, FL
- May 9-11, 2017 – Indianapolis, IN