

Note to Readers: These highlights are DRAFT. The ARSC will consider approval of these highlights at its meeting in August 2017. Once approved, the approved highlights then replace the draft version on the AICPA website.

**Accounting and Review Services Committee
Meeting Highlights
May 9-11, 2017**

Committee members present:

Mike Fleming, Chair
Denny Ard
Sheila Balzer (on May 9-10 only)
Jimmy Burkes
Jeremy Dillard
David Johnson
Dustin Verity

AICPA staff present:

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 (via teleconference on May 11 only)
Richard Miller – Special Counsel

Observers:

Laura Billingsley – Practitioners Publishing Company
Nigyar Mamedova – National Association of State Boards of Accountancy (NASBA), Director – Technical Research
Duncan Will – CAMICO Insurance Loss Prevention Manager, Accounting & Auditing Loss Prevention Specialist
Joseph Wolf – Aon Affinity – Professional Firms, Risk Management Consultant

The Accounting and Review Services Committee (the “ARSC” or the “Committee”) met May 9-11, 2017 in Indianapolis, IN. 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.

M. Fleming advised the ARSC that the revised AICPA Guide, *Prospective Financial Information* will be issued in mid-May 2017. The Guide has been updated for the issuance of SSAE 18 and SSARS 23. M. Fleming thanked the ARSC members for reviewing the preparation and compilation sections of the draft Guide.

M. Fleming advised that M. Glynn and C. Landes attended an IAASB Working Conference in Paris in late-January 2017. The purpose of the conference was to discuss non-audit services provided in the various countries as well as to consider whether and how the international auditing standards could be scaled for smaller firm practitioners and smaller entities. At the request of M. Fleming, M. Glynn provided a summary of the conference:

- In New Zealand, an agreed-upon procedures engagement is the most common alternative to the audit. The review is not seen as an acceptable alternative as it is seen as “light.” M. Glynn had a side discussion with the representative from New Zealand and he was very interested in the ASB/ARSC selected procedures project.
- Denmark allows for an “extended review.” The availability of the service is limited to the size of the entity (measured by balance sheet, net revenue, and number of employees). Assurance is measured between “reasonable” and “limited.” The service consists of review procedures (inquiry and analytics) and required additional procedures including inquiry of lawyers and “follow-up” procedures. The intent is to “disprove” that the financial statements are materially misstated and the report results in an opinion. Only 2% of all engagements performed in Denmark are traditional reviews so, perhaps this service has replaced the review.
- France has a “presentation” service which results in the practitioner providing “moderate” assurance on the presentation of the financial statements. The conclusion is expressed in a negative form. The service resembles the compilation but the implied assurance on presentation is replaced by an explicit conclusion. Is considered less assurance than the limited assurance provided in a review.
- Attendees were concerned that the introduction of additional services would confuse the marketplace.
- There was a lot of discussion as to whether the attendees felt that the ISAs were “scalable” for audits of smaller entities. France has a standard for smaller company audits (NEP 901). The Nordic Federation presented a proposed standard for audits of small entities. The proposal was developed using the ISAs and pulling out those items that the Nordic Federation felt was necessary for a small entity audit. The Nordic Federation is looking for the standard to be issued by the IAASB either as part of the ISAs or separate. There was some concern that the resulting service may be viewed as “audit-lite.”

M. Fleming stated that at some point in the future, the ARSC may want to consider the French presentation service.

S. Balzer stated that the Assurance Research Advisory Group (ARAG) met via conference call on May 4, 2017 and considered 13 potential research projects. The ARAG approved the following six research topics for 2017:

- Audit Quality
- Risk Assessment and Response
- Limited Assurance
- Sufficiency and Appropriateness of Audit Evidence
- Materiality
- Evolving Skillsets

S. Balzer stated that the previous set of research topics also included limited assurance - but no researchers were identified at that time. Professors on the ARAG continue to believe that limited assurance will be a hard sell for potential researchers as it is difficult to get non-audit research papers published but the group agreed to continue to attempt to solicit research on the topic. The ARSC members will continue to reach out to other contacts to see if the research can be performed. M. Fleming reminded the ARSC that in January 2017, Russ Madray (from the Center for Plain English Accounting) had advised that he may be able to identify a researcher.

M. Fleming stated that he participated in a conference call of the Chairs of various AICPA technical committees on May 1, 2017. Each of the Chairs provided a summary of what their respective committees are doing. Action items from the conference call included the following:

- The ASB will continue to explore dual reporting under the attestation standards as well as the limits of PCAOB jurisdiction and will follow up with Peer Review and PEEC once conclusions have been reached.
- Peer Review will consider independence of peer reviewers to perform a firm's inspection in light of PEEC's FAQs on independence when evaluating an attest client's cybersecurity program.
- ASB and TIC will consider PEEC's NOCLAR exposure draft and follow up with Ethics staff with their thoughts.

M. Fleming stated that the ARSC will consider a revised draft of a proposed SSARS addressing international reporting issues and will be asked to consider voting to expose that proposed standard for public comment. Additionally, the ARSC will consider issues associated with and a revised draft of the proposed standard on selected procedures. The ARSC will also consider issues associated with materiality in a review engagement and will liaise with the AICPA Center for Plain English Accounting.

In response to M. Fleming's inquiry as to whether ARSC members have identified or wish to discuss any practice issues, J. Dillard stated that there is a concern about the extent of documentation required in a preparation service. Peer reviewers have been

finding that firms are not adequately documenting procedures performed; some findings may constitute overreaching or misinterpretation on the part of the reviewers.

M. Fleming stated that he is presenting the ARSC update at the 2017 NAAATS Conference. He is considering how to generate discussion at NAAATS that might result in identification of SSARs related topics for academic research consideration.

Director's Report

C. Landes stated that the International Audit and Assurance Standards Board continues working on a proposed new standard on auditing estimates. In addition, the IAASB is also looking at issues on professional skepticism and considering whether ISQC 1 on quality control should be revised and issues regarding the group audit standard that involve issues that are primarily of consequence outside of the United States – specifically, that regulators are concerned that the group auditor is not performing sufficient procedures to take responsibility for the work of component auditors. In response to a question, C. Landes stated that there continues to be no support for divided responsibility at the IAASB level. However, the IAASB is considering modified requirements with respect to equity investments. The IAASB is also considering revising the risk assessment standards. The Board is considering eliminating the allowance of a combined assessment of inherent and control risk as it does not believe that such a combined assessment can be performed and that only separate assessments would be proper. The Board will also attempt to better explain, in application material, the importance of the proper design of controls and whether they have been placed in operation.

C. Landes stated that the Auditing Standards Board is meeting May 15-18, 2017 in Chicago. Included in the agenda is the following:

- Exempt securities. The ASB will be asked to approve the proposed AU-C section 945, *Auditor Involvement with Exempt Offering Documents* as final. The proposed standard will require the auditor to perform subsequent events testing up to the date of the exempt security going effective. Additional procedures will be required when the auditor is involved. The standard includes triggers to determine whether the auditor is involved or the auditor can choose to be involved.
- Convergence with PCAOB standards. The ASB will be asked to consider proposed amendments to AU-C sections to:
 - Eliminate unnecessary differences with PCAOB standards not considered during the Clarity project
 - Converge with the IAASB Disclosures project
 - Converge with the IAASB NOCLAR project

C. Landes reminded the ARSC that the ASB's stated position is to base U.S. GAAS on the corresponding international standards. However, the ASB tries to

avoid unnecessary differences with PCAOB auditing standards. The ASB established a task force, consisting primarily of technical advisors from the larger firms and R. Miller, and charged that task force with comparing the PCAOB standards to the clarified auditing standards and identify differing requirements and opportunities to avoid differences. For example, with respect to related parties, the PCAOB has more requirements with respect to identifying related parties and related party transactions. It will be very important that representatives from smaller firms work to ensure that the standards do not become overly complex or include unnecessary requirements relative to the audits of SMEs.

C. Landes stated that R. Miller is involved in the ASB discussions to consider the auditor's requirements regarding NOCLAR. Internationally, there is a different environment and they are not as concerned about communicating with third-parties. In the United States, the Ethics Code restricts the auditor's ability to communicate with parties outside of the entity.

- Auditor reporting. The ASB will be asked to consider drafts of proposed revisions to AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report*, AU-C section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*, AU-C section 260, *The Auditor's Communication With Those Charged With Governance*, and proposed amendments to various AU-C sections, including SAS No. 132, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*. In addition, certain issues relating to proposed AU-C 700, *Forming an Opinion and Reporting on Financial Statements* will be discussed. C. Landes stated that the most significant revision will be to the format of the auditor's report. In addition, the ASB will be adding requirements when the auditor voluntarily determines to include key audit matters in the auditor's report.
- Data analytics. The ASB is close to finalizing the new Audit Guide that will replace the Analytical Procedures Guide. The new Guide will serve as the basis for new CPE courses that are being developed. The Guide is scheduled for release in the Summer of 2017.
- Other Information. The ASB will be asked to consider a draft of the proposed revisions to AU-C section 720, *Other Information in Documents Containing Audited Financial Statements*.
- Non-assertion based attestation engagements. The ASB will consider the same agenda material as presented to the ARSC.

Approve revisions to ARSC Operating Policies document

The ARSC deferred the vote to approve the proposed revisions until a subsequent meeting to afford the staff sufficient time to consider issues certain raised by J. Burkes.

Approval of highlights from the January 17-19, 2017 ARSC meeting

J. Dillard made a motion that the ARSC approve the highlights of the January 17-19, 2017 meeting as presented. J. Burkes seconded the motion and the ARSC unanimously voted to approve the highlights.

Selected Procedures and Proposed Revisions to AT-C section 105

D. Ard advised the ARSC that the purpose of the agenda item was to discuss drafts of the following proposed attestation standards:

- A proposed revision of AT-C section 105, *Concepts Common to All Attestation Engagements*, to make it applicable to both assertion-based and non-assertion based engagements
- A proposed attestation standard that addresses selected procedures engagements (proposed AT-C section 601, *Selected Procedures*)

In addition, while the ARSC will not be voting to expose or issue, the ARSC was asked to provide input with respect to the review requirements and guidance included in a proposed attestation standard that addresses non-assertion based examination and review engagements.

Proposal for one common concepts section

D. Ard stated that, at their separate meetings in January 2017, both the ARSC and the ASB directed that a common concepts AT-C section for non-assertion based attestation standards be developed. This would be a stand-alone common concepts section that covers common concepts for non-assertion based examination and review engagements as well as selected procedures engagements. The section would use AT-C section 105 as a base. However, once staff began drafting the common concepts section, it was noted that the proposed section was substantially the same as AT-C section 105. Therefore, it was determined that AT-C section 105 should be revised to cover both assertion-based and non-assertion based attestation standards.

The ARSC concluded that it supports the approach of revising AT-C section 105 so that it applies to all attestation engagements.

Guidance for determining when to use the assertion-based or non-assertion based AT-C section

D. Ard advised the ARSC that the proposed non-assertion based standards are engagement driven which means that they would be applicable when a practitioner is engaged to issue, or does issue a practitioner's examination, review, or selected procedures report, without requesting or obtaining an assertion. The proposed AT-C sections do not include a "framework" for determining when a practitioner should use the assertion-based AT-C section or the non-assertion based AT-C section. Rather, the decision would be a market place decision involving the practitioner, the engaging party, and whether there is a requirement or an expectation that the responsible party provide an

assertion. If an assertion is expected or required, the practitioner would be engaged under the assertion-based AT-C section. If an assertion is not expected or required, the practitioner could be engaged under the non-assertion based AT-C section.

D. Ard stated that a further issue may arise when a practitioner is engaged to perform an assertion-based engagement but is unable to obtain an assertion from the responsible party. As currently drafted, the proposed AT-C sections do not prohibit a practitioner from using his or her judgment to restructure the engagement from an assertion-based to a non-assertion based engagement.

The ARSC agrees that the practitioner should use judgment as to whether to perform an assertion-based or non-assertion based engagement. The ARSC is opposed to any requirements/guidance that would imply that an assertion based engagement is somehow a higher level of service than the corresponding non-assertion based engagement. The ARSC believes that paragraph .29 of AT-C section 105 sufficiently addresses the issue and recommends no additional guidance. Paragraph .29 of AT-C section 105 and the related application material reads as follows:

.29 The practitioner should not agree to a change in the terms of the engagement when no reasonable justification for doing so exists. If a change in the terms of the engagement is made, the practitioner should not disregard evidence that was obtained prior to the change. (Ref: par. .A55–.A56)

.A55 A change in circumstances that affects the requirements of the responsible party or, if different, the engaging party, or a misunderstanding concerning the nature of the engagement originally requested, may be considered reasonable justification for requesting a change in the engagement, for example, from an attestation engagement to a consulting engagement or from an examination engagement to a review engagement. A change may not be considered reasonable if it appears that the change relates to information that is incorrect, incomplete, or otherwise unsatisfactory. An example of such a circumstance is a request to change the engagement from an examination to a review to avoid a modified opinion or a disclaimer of opinion in a situation in which the practitioner is unable to obtain sufficient appropriate evidence regarding the subject matter.

.A56 If the practitioner and the engaging party are unable to agree to a change in the terms of the engagement and the practitioner is not permitted to continue the original engagement, the practitioner may withdraw from the engagement when possible under applicable laws and regulations.

Precluding Non-Assertion Based Engagements on Certain Subject Matter

D. Ard advised the ARSC that, with respect to review engagements, proposed AT-C section 501 prohibits a practitioner from reviewing the same subject matters as those prohibited by AT-C section 210, *Review Engagements* (prospective financial information, internal control, or compliance with requirements of specified laws, regulations, rules,

contacts, or grants). In that regard, the ARSC agreed that the non-assertion based standards should be consistent with the corresponding assertion-based standards.

Requirements for Assertion-Based Engagements and Non-Assertion Based Engagements.

D. Ard stated that, because the level of assurance for a non-assertion based examination or review engagement is the same as it is for an assertion-based examination or review engagement, staff has attempted to pick up the same requirements in the non-assertion based AT-C sections as are in the assertion-based sections. However, because Canadian Standard on Assurance Engagements (CSAE) 3001, *Direct Engagements* serves as the base for proposed AT-C section 501, it sometimes uses slightly different words for similar requirements.

The ARSC questioned why new a AT-C section, based on CSAE 3001, is necessary. Instead, similar to the changes proposed to AT-C section 105, the ARSC suggested that the ASB consider revising AT-C sections 205 and 210 to permit non-assertion based examinations and reviews, respectively. Further, while the ARSC has no issue with the stand-alone Canadian standard, it does see some “audit/examination creep” in the review standard that would be addressed using AT-C section 210 as a base. The ARSC also offered that it would be willing to take responsibility for revising AT-C section 210.

Responsibility for the sufficiency of the procedures performed in a selected procedures engagement

D. Ard reminded the ARSC members that at its meeting in January 2017, the ASB directed that the proposed Selected Procedures standard include a clear requirement for the practitioner to make the engaging party aware of the procedures performed, prior to issuing the selected procedures report. Such acknowledgment does not constitute the engaging party taking responsibility for the sufficiency of the procedures performed. At its meeting in January 2017, the ARSC concluded that it agreed with the ASB’s directive. However, the ARSC had proposed additional language that makes clear that no party is required to take responsibility for the sufficiency of the procedures – but that the practitioner, the engaging party, another party, or a combination thereof, may take such responsibility. Further, the ARSC had directed that the proposed standard be clear that the responsibility for the sufficiency of the procedures performed is a fundamental difference between a selected procedures and an agreed-upon procedures engagement. The ARSC also had directed that the terms of the engagement be clear in situations when a party decides to take responsibility for the sufficiency of the procedures.

Subsequent to the January standard-setting committee meetings, the Selected Procedures Task Force determined to include a requirement that, as part of agreeing upon the terms of the engagement with the engaging party, the practitioner should obtain the engaging party’s acknowledgment that it is responsible for providing the practitioner with, prior to the conclusion of the engagement, a written acknowledgment regarding the engaging party’s *understanding* of the procedures performed. That requirement is included in the proposed AT-C section as paragraph .7e(iv)1.

The requirement that, prior to the issuance of the selected procedures report, the practitioner obtain a written acknowledgment from the engaging party regarding their *understanding* of the procedures performed is included in the proposed AT-C section as paragraph .14.

The ARSC directed that the requirement be reverted to the *awareness* language that both the ASB and the ARSC directed in January 2017. The ARSC direction is based on the fact that an *understanding* of the procedures is a higher threshold than an *awareness* of the procedures which could result in inconsistencies in practice. As the standard is deliberately careful to avoid implying that the engaging party is taking responsibility for the sufficiency of the procedures, any higher threshold would be inappropriate.

Direction for August 2017 meeting

The ARSC directed that revisions be made to both the proposed revised AT-C section 105 and the Selected Procedures draft and that such revised drafts be presented to the ARSC at its meeting in August 2017. The ARSC will consider voting to ballot to expose the proposed standards for public comment at that meeting.

International Reporting Issues

M. Glynn presented the agenda materials and advised that the objective was to continue discussions on the proposed SSARS *International Reporting Issues and Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report*.

Is it practical to perform a compilation in accordance with AR-C section 80 and International Standard on Related Services (ISRS) 4410 (Revised), Compilation Engagements

M. Glynn advised the ARSC that the proposed standard provides requirements and guidance when the accountant is engaged to perform a compilation or review of financial statements in accordance with both SSARSs and another set of compilation or review standards. Previously, the ARSC issued Interpretation No. 1 to AR-C section 90 which provided guidance when a review was performed in accordance with both SSARSs and International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements* (ISRE 2400 (Revised)). At that time, the ARSC determined to not issue an interpretation to AR-C section 80 that would provide guidance when a compilation was performed in accordance with both SSARSs and ISRS 4410 (Revised). A table that compares the requirements of ISRS 4410 (Revised) to AR-C section 80 was provided to the ARSC as part of the agenda materials.

The ARSC concluded that while it is possible to perform a compilation in accordance with both AR-C section 80 and ISRS 4410 (Revised), the two standards have some significant differences. The ARSC believes that ISRS 4410 (Revised) includes some requirements that are not compatible with compilation engagements in the United States, specifically:

- The ability to perform a compilation on financial statements prepared in accordance with an *entity specific framework*. Because ISRS 4410 (Revised) does not permit the issuance of a compilation report that discloses known framework departures, the standard includes the concept of an *entity specific framework* which would address instances in which an entity prepares its financial statements in accordance with an established framework but, intentionally departs from that framework for certain matters.
- The ISRS 4410 (Revised) requirement for the practitioner to obtain an acknowledgement from management or those charged with governance, as appropriate, that they have taken responsibility for the final version of the [compiled] financial information is akin to a representation letter requirement. As a representation letter would be evidence, the ARSC has determined that it is inappropriate to require that the practitioner obtain a representation letter in a compilation engagement.

Determining whether other accountants are familiar with SSARSs or GAAS when referencing the work of such other accountants in the accountant's review report

The proposed standard would result in certain revisions when the accountant decides to not assume responsibility for the audit or review of significant components performed by other accountants. Extant paragraph .79b of AR-C section 90 includes a requirement that, regardless of whether the accountant of the reporting entity decides to make reference to the review or audit of other accountants, the accountant of the reporting entity should communicate with the other accountants and ascertain that the other accountants are familiar with the applicable financial reporting framework and with SSARSs or GAAS, as applicable, and will conduct the review or audit in accordance therewith.

The ARSC stated that the following should be included as application guidance to the requirement paragraph:

.A128 An other accountant's review report stating that the review was conducted in accordance with SSARSs or an auditor's report stating that the audit was conducted in accordance with GAAS is sufficient to make the determination required by paragraph .79b. When the other accountant has performed a review of the component financial statements in accordance with standards other than SSARSs or an audit of the component financial statements in accordance with auditing standards other than GAAS, the accountant of the reporting entity may evaluate, exercising professional judgment, whether the engagement performed by the other accountant meets the relevant requirements of SSARSs or GAAS as applicable. For the purposes of complying with paragraph .79b, relevant requirements of SSARSs or GAAS are those that pertain to planning and performing the engagement on the component financial statements and do not include those related to the form of the accountant's review or the auditor's report. Reviews performed in accordance with International Standard on Review Engagements 2400 (Revised) and audits performed in

accordance with International Standards on Auditing (ISAs), both of which are promulgated by the International Auditing and Assurance Standards Board (IAASB), are more likely to meet the relevant requirements of SSARSs and GAAS, respectively, than reviews or audits performed in accordance with review and auditing standards promulgated by bodies other than the IAASB. The other accountants may perform additional procedures in order to meet the relevant requirements of SSARSs or GAAS. The accountant of the reporting entity, having determined that all relevant requirements of SSARSs or GAAS have been met by the other accountant, may decide to make reference to the review or audit of that other accountant in the accountant's review report on the reporting entity's financial statements.

The ARSC further directed that:

- The proposed standard define the term *financial reporting framework generally accepted in another country* to be clear that, for this purpose, IFRS does not meet such definition.
- If the financial statements are intended only for use only outside of the United States, the accountant can report using the report form and content of the other country (i.e., the accountant is not required to report in accordance with SSARSs)– regardless of the financial reporting framework used to prepare such financial statements.
- When reporting on financial statements prepared in accordance with a financial reporting framework generally accepted in another country and the report is intended for use only outside of the United States, there is no need to include an other matter paragraph that states that the financial reporting framework is not US GAAP.

The ARSC directed that a revised version of the draft standard be included in a proposed standard that also includes going concern considerations (see subsequent section) and presented to the ARSC at its meeting in August 2017 with a consideration to vote to ballot to expose for public comment.

ISRE 2400 (Revised) and AR-C section 90

M. Glynn presented the agenda material and advised the ARSC that the objective was to consider whether interpretative or non-authoritative guidance is necessary to provide guidance to accountants engaged to perform a review in accordance with both ISRE 2400 (Revised) and SSARSs.

Requirement to plan and perform the review with professional skepticism

Paragraph 22 of ISRE 2400 (Revised) reads as follows:

22. The practitioner shall plan and perform the engagement with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated.

AR-C section 90 does not include a similar requirement. At its meeting in August 2014, the ARSC concluded that the inclusion of an explicit requirement to conduct a review engagement with professional skepticism could result in unnecessary “audit creep” and directed that the requirement not be included in SSARS 21.

The ARSC discussed and determined that perhaps its views on professional skepticism have evolved since it debated the issue in August 2014. While skepticism would not be the same in a review as it would be in an audit of financial statements, the accountant would be appropriately skeptical in performing the analytical and inquiry procedures required by AR-C section 90. Procedures performed to follow-up on management responses to inquiries, when deemed necessary, may call for a similar level of skepticism as in an audit of financial statements. As an incremental step, the ARSC directed that the issue be considered for a future ARAG research topic.

While the ARSC determined that the requirement in ISRE 2400 (Revised) does not result in an incremental requirement, it directed that consideration be made to include a further discussion of the issue in the next edition of the AICPA Guide, *Preparation, Compilation, and Review Engagements*. The discussion could be based off the requirements for the accountant to be independent and to exercise professional judgment.

Materiality

Paragraph 43-44 of ISRE 2400 (Revised) reads as follows:

43. The practitioner shall determine materiality for the financial statements as a whole, and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures.

44. The practitioner shall revise materiality for the financial statements as a whole in the event of becoming aware of information during the review that would have caused the practitioner to have determined a different amount initially.

Additionally, paragraph 47(a) of ISRE 2400 (Revised) requires that the practitioner design and perform inquiry and analytical procedures to address all material items in the financial statements, including disclosures. Other requirements in ISRE 2400 (Revised) include materiality considerations.

D. Verity stated that he believes that the requirements should be included in AR-C section 90 while other ARSC members were comfortable that accountants understand that to perform a review in accordance with SSARSs, the accountant implicitly assesses what would be material in order to plan, perform, and report. J. Dillard stated that while the topic is included in the AICPA Guide, *Preparation, Compilation, and Review Engagements*, additional interpretative guidance would help – including perhaps issuing

an interpretation on the issue. The ARSC directed that M. Glynn draft an interpretation for ARSC consideration.

The ARSC walked through a side-by-side comparison of the requirements of ISRE 2400 (Revised) and AR-C section 90 and determined:

- That the requirement in ISRE 2400 (Revised) that the agreed-upon terms of the engagement include the intended use and distribution of the financial statements, and any restrictions on use or distribution, where applicable is not appropriate for American accountants due to privity concerns. The ARSC recognized that the American legal and practice environment is different than in many other jurisdictions.
- ISRE 2400 (Revised) includes certain incremental inquiry procedures. The ARSC directed that the incremental inquiries with respect to the going concern assessment be considered for inclusion in the proposed going concern standard (see subsequent section).
- ISRE 2400 (Revised) includes incremental procedures with respect to using the work of other practitioners or specialists. The ARSC determined that such a requirement is not necessary in a review engagement.
- ISRE 2400 (Revised) includes certain incremental representations that are required to be included in the representation letter. The ARSC directed that the incremental representations with respect to the going concern assessment be considered for inclusion in the proposed going concern standard (see subsequent section).

ARSC directed that a draft summary of incremental requirements that an accountant would be required to perform to perform a review in accordance with both ISRE 2400 (Revised) and AR-C section 90 be presented to the ARSC at its meeting in August 2017.

As a side issue, M. Fleming stated that a future ARSC project should look into documentation as part of a quality initiative. Such a project could consider requiring lock down procedures – especially with respect to review documentation.

Going Concern

M. Glynn presented the agenda material and advised the ARSC that the objective was to consider the accountant's requirements with respect to consideration of going concern in a review performed in accordance with SSARs in light of the issuance of Statement on Auditing Standards No. 132, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* in February 2017 (which amends the auditor's requirements with respect to reviews of interim financial information).

The ARSC concluded that AR-C section 90 should be revised to include a requirement for the accountant to specifically perform procedures (primarily inquiry) related to

management's going concern assessment. The section should also include those going concern inquiries required by ISRE 2400 (Revised) so as to be more closely converged with that standard.

The ARSC also concluded that AR-C section 90 should be revised to include a requirement for the accountant to include an emphasis-of-matter paragraph in the accountant's review report with respect to going concern consistent with AU-C section 930 as revised by SAS 132.

Wrap-up

The next in-person meeting of the ARSC will be August 15-17, 2017 in Boston, MA. At that meeting, the ARSC expects to:

- Consider revised drafts of the proposed revisions to AT-C section 105 and the proposed SSAE *Selected Procedures* and consider voting to expose the drafts for public comment
- Consider revised drafts of the proposed SSARs addressing international reporting issues, the accountant's consideration of going concern in a review engagement, and reference to other accountants in an accountant's review report. The ARSC may consider voting to expose for public comment.
- Consider a draft summary of incremental requirements that an accountant would be required to apply to perform a review in accordance with both ISRE 2400 (Revised) and AR-C section 90

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 14-16, 2017 – Charleston, SC
- January 9-11, 2018 – San Juan, PR
- May 8-10, 2018 – location TBD