

AUDITING STANDARDS BOARD (ASB)

Meeting Highlights

May 24-26, 2016

Park City, Utah

MEETING ATTENDANCE

ASB Members

Mike Santay, *Chair*

Gerry Boaz

Dora Burzenski

Liz Gantnier

Steve Glover

Dan Hevia

Sandra Johnigan

Ilene Kassman

Ryan Kaye

Marcia Marien

Rich Miller

Dan Montgomery

Steven Morrison

Marc Panucci

Josh Partlow

Rick Reisig

Jere Shawver

Chad Singletary

Absent

Catherine Schweigel

AICPA Staff

Amanda Black, *Content Development*

Mike Glynn, *Audit & Attest Standards*

Ahava Goldman, *Audit & Attest Standards*

Hiram Hasty, *Audit & Attest Standards*

Chuck Landes, *Professional Standards*

Teighlor March, *Assistant General Counsel*

Andy Mrakovcic, *Audit & Attest Standards* (by phone)

Linda Volkert, *PCPS Technical Issues Committee*

Desire Carroll, *BRAAS* (5/25)

Laura Hyland, *Governmental Auditing and Accounting*

Observers and Guests

Denny Ard, *Dixon Hughes*

Michael Auerbach, *U.S. Department of Labor* (5/25)

Sally Ann Bailey, *Deloitte & Touche LLP*

Rick Call, *Thomson Reuters*

Jim Dalkin, *GAO*

David Ford, *EY LLP*

Kate Greehan, *RSM*

Bridget Gyofri, *KPMG LLP*

Susan Jones, *KPMG LLP*

Vicki Hellenbrand, *Baker Tilly Virchow Krause, LLP*

Jan Herringer, *BDO*

Nigyar Mamedova, *NASBA*

Lynne McMennamin, *U.S. Department of Labor*

Darrel Schubert, *Ernst & Young LLP*

Beth Schneider, *Deloitte & Touche LLP* (5/25)

Laura Schuetze, *Grant Thornton*

Chris Smith, *BDO*

Chair's Report

Mr. Santay informed the ASB about matters of interest, including updates from recent meetings of the AITF, the SAG, and a joint meeting with GAO, PCAOB, and ASB. He noted that the

AICPA had submitted a comment letter on the IAASB's Invitation to Comment on Audit Quality. He discussed an upcoming IAASB National Standard Setters Meeting.

Mr. Dalkin stated that the GAO is working on CPE changes and looking at performance audits. While assertions are currently not required for performance audits, the revised Yellow Book will explicitly state this.

Director's Report

Mr. Landes reported on matters of interest.

1. Going Concern

Mr. Panucci led a discussion of issues and proposed revisions to SAS No. 126, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AU-C section 570). The objective of the discussion was to vote the proposed SAS for exposure.

The following is a summary of the matters discussed.

Auditor Reporting Issues

Mr. Panucci highlighted the proposed amendments to AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks* and AU-C section 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*. He explained that in the previous meeting, the ASB discussed options to address the uncertainty with respect to the work effort that would be required to apply AU-C section 570 when the going concern basis of accounting is not applied or may not be inherently relevant in AU-C section 800 and AU-C section 805.

The proposed amendments reflect the ASB's decision that in audits of special purpose frameworks and audits of single financial statements and specific elements, accounts, or items of a financial statement, the application guidance should include as an example that the requirement to consider fair presentation includes an evaluation of whether disclosures related to risk and uncertainties are needed to achieve fair presentation. This evaluation should be performed without connecting to the conclusion of whether there is substantial doubt about the entity's ability to continue as a going concern as set out in AU-C section 570.

The ASB also acknowledged that special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is applicable. If the going concern basis of accounting is applicable in the preparation of financial statements prepared in accordance with a special purposed framework, the ASB proposes that AU-C section 570 would apply. With respect to audits of single financial statements and specific elements, accounts, or items of a financial statement, consistent with AU-C section 570, the proposed standard is silent as to whether AU-C section 570 explicitly applies. The ASB acknowledges that paragraph 1 of AU-C section 805 states that "AU-C sections 200–700 apply to an audit of financial statements and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information." As a result, there may be confusion regarding whether AU-C section 570 applies to audits of single financial statements and specific

elements, accounts, or items of a financial statement. The ASB decided to highlight this issue in the Exposure Draft and ask for input from the responders.

Interim Financial Information

Mr. Panucci discussed the issue that the requirement in proposed paragraph 15a only addressed the requirement for the auditor to perform interim procedures related to whether substantial doubt exist in the interim financial information. The proposed requirement was inconsistent with the proposed AU-C section 570 objectives to address 1) whether the use of the going concern basis of accounting is appropriate and 2) whether substantial doubt about the entity's ability to continue as a going concern exists. As a result, the Task Force suggested making amendments address both thresholds consistent with AU-C section 570.

Also, Mr. Panucci explained that the Task Force's proposed application guidance to include an illustrative emphasis-of-matter paragraph if management has disclosed in the notes to the financial statements conditions or events that are identified but substantial doubt is alleviated or the financial reporting framework does not require a statement in the notes that substantial doubt exists.

After discussion, the ASB agreed with the Task Force's recommendations.

Disclaimer of Opinion

In January 2016, the ASB discussed whether to include an illustration of a disclaimer related to uncertainties. The ASB agreed not to include such an illustration because such situations are expected to be rare. The ASB suggested that the Task Force further look into whether the requirement and application guidance related to disclaimer of opinion included in the proposed AU-C section 570 should be deleted. This is because certain members viewed the auditor's decision to disclaim an opinion is a matter of whether sufficient appropriate audit evidence has been obtained rather than a going concern consideration. Additionally, it was suggested for the Task Force to consider AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report*, to evaluate whether it addresses the issue of disclaimer related to uncertainties. The Task Force agreed that AU-C section 705 through the requirement and application guidance addresses uncertainties in a more holistic manner related to a disclaimer of an opinion. As a result, the Task Force suggested deleting the requirement and related application guidance that dealt with disclaimer of opinion in AU-C section 570.

After discussion, ASB agreed with removing the content dealing with disclaimer of opinion from the proposed AU-C section 570.

Written Representations

Mr. Panucci explained that at the direction of the ASB, the Task Force developed an amendment to AU-C section 580, *Written Representations*, to add a general written representation that would cover going concern. The proposed edit was presented to be responsive to the direction provided by the ASB in January. However, upon further reflection, some members of the Task Force questioned the need of the proposed written representation. They believe that the assessment and evaluation of going concern is already part of the written representation required under paragraph

10a of AU-C section 580. They also questioned the need to specifically call out a going concern written representation among all of the other matters required under a financial reporting framework.

After discussion, the ASB decided to not include the proposed new written representation for the reasons cited by the Task Force.

Audit Documentation

At the January 2016 meeting, the ASB inquired about the disposition of paragraph 22 of AU-C section 570, Documentation.

Mr. Panucci explained that in drafting proposed AU-C section 570, the Task Force concluded that this documentation requirement is not considered necessary because the FASB standards now require management to make an evaluation of going concern and to include disclosures related to going concern. The auditor's responsibility is to obtain audit evidence about management's assessment and evaluate the adequacy of the financial statement disclosures.

After discussion, the ASB concluded to retain the audit documentation requirement in view of the sensitive nature of the going concern issue.

ASB Vote

The ASB voted unanimously to approve to ballot the proposed standard for exposure with a 60-day exposure period.

2. Exempt Offerings

Chris Smith, chair of the ASB Exempt Securities Task Force, led the ASB in a discussion on a draft of a proposed SAS, *Auditor Involvement With Exempt Offering Documents*, and a draft wrap document to accompany the proposed SAS. The objective of the discussion was to vote the proposed SAS for exposure.

The following is a summary of the matters discussed.

Revisions to Proposed SAS for Ballot Draft

- Edits proposed to center the objective on the notion of determining whether the information included in the offering document could undermine the financial statements and the auditor's report thereon
- Term "involved" not deemed necessary to include in the Definitions section
- Clarification made to note that once involved with an offering, the auditor's involvement continues throughout the offering
- Activities that trigger involvement were modified to delete "providing an updated auditor's report to be included in the offering document." Much of the discussion centered on signing

a copy of the auditor's report for inclusion in the offering document which was ultimately retained

- Within subsequent events, added a requirement that if subsequent events are identified, the auditor should not agree to inclusion of the auditor's report until such matters have been considered and appropriately handled
- Proposed amendment to AU-C section 560, *Subsequent Events and Subsequently Discovered Facts*, will be included in the Exposure Draft. Section 560 states that the auditor is not required to perform any audit procedures regarding the financial statements after the date of the auditor's report. However, requirements exist in Section 925 and the proposed SAS (Section 945) that would require, in certain circumstances, procedures to be performed after the date of the auditor's report. This proposed amendment highlights, through a footnote, that there may be instances in which the requirements of Section 560 apply after the report date.
- Wrap document was also discussed and ASB suggested the following three issues be included for responders to comment:
 - Issue 1: Commenters are asked to provide feedback on the types of offerings included in the scope of the standard, specifically whether franchise offerings be included in the scope.
 - Issue 2: Commenters are asked to provide feedback on the activities that trigger involvement and whether additional activities should be considered as triggers.
 - Issue 3: Commenters are asked to provide their views as to the proposed requirement with respect to subsequent event procedures when the auditor is deemed involved with an exempt offering.

ASB Vote

The ASB voted unanimously to approve to ballot the proposed standard for exposure with a 60-day exposure period.

3. Auditor's Report

Mr. Montgomery provided an update to the ASB on the auditor reporting project and led a discussion about certain elements of the auditor's report relating to the ASB's convergence with the International Auditing and Assurance Standards Board (IAASB) International Standards on Auditing (ISA) 700 (Revised) *Forming an Opinion and Reporting on Financial Statements*.

Mr. Montgomery noted that the changes being discussed at this ASB meeting reflect those changes considered necessary to converge with ISA 700 (Revised). The Auditor Reporting Task Force (Task Force) recognizes that certain aspects of these reporting elements may need to be revisited at a future meeting to consider the differences from the PCAOB's reproposal on the auditor reporting model.

The ASB discussion focused on the Task Force's suggested wording of the requirements relating to the elements of the auditor's report as a starting point for possible proposed revisions to AU-C section 700. The following is a summary of the matters discussed.

Issue 1: Auditor Reporting Framework

The ASB discussed a framework to help in the process for convergence with the new and revised auditor reporting ISAs while also considering differences with the PCAOB. Mr. Montgomery pointed out that the framework is intended to help guide the ASB's discussions and is not intended to be included as part of the proposed SAS. The ASB supported the proposed framework.

Issue 2: Auditor's Report (requirement to be in writing)

The ASB supported the proposed wording for AU-C section 700.

Issue 3: Title

The ASB supported the proposed wording for AU-C section 700.

Issue 4: Addressee

The ASB supported the proposed wording for AU-C section 700.

Issue 5: Placement of Auditor's Opinion

Certain members of the ASB expressed a preference for the auditor's opinion to be placed at the end of the report. Other members of the ASB supported converging with ISA 700 (Revised) and requiring the opinion section to be placed first. The ASB expressed a need for the Task Force to consider the PCAOB's reproposal, which would require the opinion section to be placed first.

Issue 6: Content of the Auditor's Opinion Section

The ASB supported the Task Force's proposed wording for AU-C section 700.

Issue 7: Basis for Opinion

The ASB supported the Task Force's proposed wording for AU-C section 700, including an explicit statement about independence and compliance with other ethical responsibilities. The ASB asked the Task Force to include application guidance to explain the different independence rules in the US that may need to be complied with (for example, AICPA, SEC, DOL, state rules and laws).

Issue 8: Going Concern

The ASB agreed that, assuming there will be some form of reporting requirements relating to going concern, those requirements will be determined at a future date.

Issue 9: Key Audit Matters

Mr. Montgomery noted that the Task Force will discuss key audit matters in more depth at a future meeting, noting the ASB's previous discussion and agreement that the communication of key audit matters would not be required for audits of non-issuers, but may be done voluntarily.

Issue 10: Other Information

The ASB agreed that reporting relating to other information will be determined at a future date.

Issue 11: Management's Responsibility for the Financial Statements

The ASB supported the Task Force's proposed wording for AU-C section 700. The ASB discussed the need to develop the proper wording as it relates to the going concern basis of accounting in the US. In addition, the ASB agreed with identifying in the auditor's report those responsible for oversight of the financial reporting process, but asked the Task Force to consider application material linking to AU-C section 260, *The Auditor's Communication With Those Charged With Governance*.

Issue 12: Auditor's Responsibilities: Objectives, Reasonable Assurance, Misstatements

The ASB expressed concerns with the proposed wording about reasonable assurance. The ASB asked the Task Force to consider other ways to reference to the standards rather than pick out only certain phrases as this risks taking those phrases out of context.

The Task Force was also asked to give more consideration to how the proposed SAS should discuss materiality in the auditor's report. Assuming the preferred approach of convergence with ISA 700 (Revised), the ASB believes more application material will be needed.

Issue 13: Auditor's Responsibilities: Professional Skepticism, Description of the Audit, Group Audits

The ASB expressed concerns with some of the proposed wording to AU-C section 700 and asked the Task Force to reconsider the following sections:

- The discussion about the risk of not detecting a material misstatement resulting from fraud being higher than for one resulting from error
- Auditor's responsibilities to conclude on the appropriateness of management's use of the going concern basis of accounting (challenge the length of the section, whether the wording is consistent with the US framework, and whether it strikes the right balance between management's responsibilities relating to going concern versus those of the auditor)
- Group audits and reference to the use of divided responsibility in the US

Issue 14: Auditor's Responsibilities: Communication With Those Charged With Governance

The ASB did not discuss this issue.

Issue 15: Location of the Description of the Auditor's Responsibilities

The ASB did not discuss this issue at this meeting. However, at the January 2016 meeting, the ASB supported including the description of the auditor's responsibilities within the body of the report and not allow for relocation to an appendix or website of an appropriate authority (e.g., AICPA).

Issue 16: Other Reporting Responsibilities

The ASB did not discuss this issue.

Issue 17: Name of the Engagement Partner

The ASB does not support including a requirement for the name of the engagement partner to be included in the auditor's report. The ASB noted that the name of the engagement partner is required for listed entities only under ISA 700 (Revised). The ASB directed the Task Force not to include this requirement in the proposed SAS and does not believe any application material is necessary.

Issue 18: Signature of the Auditor

The ASB did not discuss this issue

Issue 19: Auditor's Address

The ASB did not discuss this issue

Issue 20: Date of the Auditor's Report

The ASB supported the proposed wording of AU-C section 700 and recommended the Task Force consider including a reference to paragraph .18-.19 of AU-C section 220 in the application material, as it relates to the requirement for audit documentation to be reviewed.

4. Reports on ERISA Audits

Mr. Schubert, chair of the EBP Auditor Reporting Task Force (EBP Task Force), led the ASB in a discussion of the issues relating to developing auditor reporting requirements specific to audits of ERISA financial statements.

Issue 1: DOL Letter Relating to Reporting on Internal Control

Mr. Schubert asked the ASB to reconsider its decision (from the October 2015 ASB meeting) about reporting on internal control over financial reporting in the auditor's report on ERISA financial statements in light of a letter that was sent to the Chair of the ASB from the Chief Accountant of the Department of Labor. The ASB discussed whether the ASB could require reporting on internal control similar to Government Auditing Standards (Yellow Book) or whether the DOL has considered requiring employee benefit plans to report in accordance with Government Auditing Standards.

The ASB was asked to consider whether the communication of internal control related matters identified in an audit in accordance with generally accepted auditing standards is integral to the understanding of the financial statements and should be made available to the public.

The ASB asked the Auditor Reporting Task Force (rather than the EBP Reporting Task Force) to consider whether GAAS should require all or certain audit engagements to have a public communication about internal control related matters identified in the audit.

Reporting on Compliance

The ASB directed the Task Force to continue moving forward with developing a report on compliance. The ASB asked the Task Force to consider:

- a. Detailing the procedures in the report
- b. Clarifying materiality considerations (including, how it relates to the supplemental schedules)
- c. Providing a better tie in to the risk assessment process and audit assertions
- d. Exploring the use of specific considerations (procedures) for employee benefit plan engagements with a reporting component rather than a report on compliance
- e. Shortening the proposed standard

Issue 2: Reporting on Compliance Limited to the Current Period

The ASB supported limiting the reporting on compliance to the current period.

Issue 3: Filing of the Separate Report on Compliance with the Form 5500 on EFAST 2

The ASB supported encouraging the report on compliance to be included as part of the auditor's report and not be issued separately. However, if a separate report on compliance is issued, the ASB agreed it would be included in the Form 5500 filing.

Issue 4: Procedures to Report on Compliance

The ASB asked the Task Force to reconsider the compliance procedures to determine whether they need to be more robust.

Issue 5: Identifying Instances of Noncompliance in the Report on Compliance

The ASB expressed mixed views of whether the instances of noncompliance should be detailed in the report on compliance. The Task Force was asked to provide more information to the board (at a future meeting) to help the ASB better understand the consequences relating to the reporting of instances of noncompliance in the report on compliance and the effect of that on the use of the Voluntary Fiduciary Correction Program (VFCP).

Limited Scope Report – General Feedback

The ASB discussed the draft limited scope auditor's report. Some concerns were expressed at using an "except for" language in the auditor's report when an assessment has not been made

whether the report should be a qualified opinion. The ASB questioned the materiality threshold for establishing the scope of the audit. The ASB asked the Task Force to:

- a. Explore ways to shorten the report
- b. Use different wording instead of “full-scope” report to describe such reporting
- c. Include the communication about the certified information with either the basis for opinion or the auditor’s responsibilities
- d. Remove the requirement to include other-matter paragraphs in the auditor’s report
- e. Include the relevant AU-C section 700 requirements in the proposed standard
- f. Reconsider the application guidance relating to audit evidence in relation to the certified information
- g. Reconsider the title for management’s responsibilities to be clear they relate to management’s responsibilities for financial statements in accordance with ERISA
- h. Consider including more guidance for the presentation assertion
- i. Reconsider the guidance in paragraphs A25-A26 to make them more EBP specific

Issue 6: Definitions of ERISA Limited-Scope Audit and Qualified Certifying Institution

The ASB asked the Task Force to determine whether a qualified certifying institution is defined in ERISA and reference to the regulations rather than define in the proposed SAS.

Issue 7: Limited-Scope Audit Procedures

The ASB did not provide specific comments on the limited scope audit procedures.

Issue 8: Considerations Relating to Form 5500 Filing

The ASB agreed with including the proposed content in the proposed SAS but expressed concerns with using the same terms as AU-C section 720, *Other Information in Documents Containing Audited Financial Statements*.

Issue 9: Emphasis-of-Matter Paragraphs

The ASB supported the use of required emphasis-of-matter (EOM) paragraphs in the auditor’s report as discussed in the issue paper. The ASB asked the Task Force to reconsider the example EOM in illustration 2 as it does not meet the requirements as discussed in the proposed SAS.

Issue 10: Other-Matter Paragraphs

The ASB directed the task for to remove the requirement to include other-matter paragraphs related to participant accounts and initial audits.

Issue 11: Reporting on ERISA supplemental Schedules

The ASB supported the expanded language and report on form and content relating to the supplemental schedules.

5. Sustainability Reporting

Beth Schneider, Chair of the Sustainability Task Force, led the ASB in a discussion of the Sustainability Issues Paper and the draft chapter, *Attestation Engagements on Sustainability Information*.

Mike Santay, ASB chair, introduced the session with an overall question as to whether a standard or a guide should be developed for sustainability attestation services at this time. He stated that he and a few ASB members upon reading the draft attestation standard thought that it repeated much of the clarified attestation standards and provided more application guidance than introducing new requirements specific to sustainability information. Many of the new requirements that were included are believed to be applicable to many different subject matters, not just sustainability information.

Ms. Schneider provided a brief history on the project—namely, that it started off as a project to draft a guide with the expectation that a standard would subsequently be developed and that following the identification of various matters for which no requirements existed in the clarified attestation standards for which to cite a requirement for the basis of the sustainability attestation approach, the Sustainability Task Force was then directed by the ASB to draft a standard. She described the various categories of attestation services that are currently being performed on sustainability information and how the draft attestation standard was developed to address each of the categories.

Ms. Schneider also provided a brief overview of the various recent activities of other organizations, including their call for a standard setter to draft standards for assurance engagements on sustainability information, as well as other disclosure initiatives that are underway. She was asked about the IAASB plans for standard setting in this area. She provided a brief overview of the IAASB Integrated Reporting Working Group's activities with respect to emerging external reporting and their focus on whether there are gaps in the international assurance standards that need to be addressed; she stated that there are no plans for standard setting at this time.

Further discussion ensued as to current market maturity for sustainability attestation services and whether a guide might best serve the current market. If the ASB was to determine that a standard was not to be developed, a question was raised as to whether the clarified attestation standards might need to be expanded to include certain requirements for matters identified by the Sustainability Task Force as absent in such standards. Accordingly, a discussion of each of the issues and questions posed in the Issues Paper commenced.

Issues Paper Discussion:

Issue 1: Scope of the proposed SSAE

With regard to the scope of the proposed SSAE, ASB Members were asked whether they agreed with the construct of when the proposed SSAE is applicable. Overall the ASB agreed with the proposal that the SSAE be applicable when the subject matter is sustainability information and the reporting entity holds out the subject matter of the practitioner's engagement as sustainability information. Some ASB Members questioned the construct of what appeared to be a two-prong consideration with the use of "and", but overall members agreed with the construct of the

responsible party holding out the subject matter as sustainability information for when the proposed SSAE is applicable provided that clearer language was used to eliminate the appearance of a two-pronged requirement.

ASB Members were also asked whether they agreed with the application guidance that allows the practitioner to apply the proposed SSAE even when the sustainability information is not held out as sustainability information. ASB Members did not agree with this and asked that the related paragraph (paragraph .A4) be deleted. The ASB Members explained that the practitioner always has the option of using a standard (or a guide) that does not have an explicit requirement to be followed and that the proposed paragraph made it confusing as to whether the entire document would then need to be complied with.

Issue 2: Language Differences from AT-C 205 and 210

ASB Members were asked whether they agreed with the elimination of “or (based on)” language and whether they agreed with the use of the phrase “fairly presented [, in all material respects,] in accordance with the criteria” throughout the proposed standard. ASB Members did not agree with the proposed wording changes and asked that the wording be revised to conform to the wording used in AT-C 205 and 210. The Task Force also was requested to realign the review conclusion to be more in line with the conclusion for reviews of financial statements.

Issue 3: Measurement Uncertainty

ASB Members were asked whether they agreed with the definitions of measurement uncertainty and large measurement uncertainty. With regard to large measurement uncertainty, it was believed that this term should not be defined. A few members also suggested that ‘measurement uncertainty’ not be defined, while other members indicated that if it is defined that such definition would need to draw distinction between measurement uncertainty in the context of sustainability information versus that for financial statements. Many ASB members struggled to understand much of the discussion about measurement uncertainty and suggested that the discussion throughout the document be revised to something shorter and simpler. The ASB also indicated that the practitioner should be focused on what management’s process is in assessing measurement uncertainty and further suggested that the audit literature for estimates be considered in developing the measurement uncertainty guidance.

ASB Members were asked whether they agreed with inclusion of the measurement uncertainty requirements and related application guidance in the proposed SSAE. ASB Members did not agree with the inclusion of measurement uncertainty requirements and suggested that all measurement uncertainty guidance be included as application guidance instead of requirements.

Issue 4: References to information on websites or other forms of interactive data

ASB Members were asked whether they agreed with the approach in the proposed SSAE with regard to website and interactive reporting practices and asked whether the proposed guidance was sufficient. ASB Members indicated that they believed that this issue applied to attestation reports in general and not only sustainability reports and thus suggested that a separate project be undertaken to address this matter.

Discussion regarding the proposed draft standard of *Attestation Engagements on Sustainability Information vs. a guide:*

The ASB, having discussed the above-mentioned issues and having had the opportunity to review the proposed draft standard of *Attestation Engagements on Sustainability Information*,

including the additional requirements highlighted in yellow throughout the draft, continued the discussion of whether the Task Force should continue with the development of a standard or develop a guide instead. It was ultimately decided by the ASB that a guide should be developed at this time and the ASB would periodically revisit whether changes in the marketplace would warrant a sustainability standard. It was suggested that a separate Task Force be constituted to look at the future of assurance and the revisions to the attestation standards that might be necessary, taking into consideration work performed by the Sustainability Task Force as well as other Task Force projects (such as direct engagements and cyber security) and other activities around embedded links.

The Sustainability Task Force was directed to write the guide in an effective manner that makes it clear that practitioners are intended to perform the procedures indicated. Chuck Landes advised the Task Force that the drafting conventions for a standard need not be followed in drafting the guide and that he would work with the Task Force in this area.

6. Specific Procedures

Mr. Ard, Chair of the Specified Procedures Task Force, led a discussion of issues with respect to the proposal to develop a standard addressing engagements to perform specified procedures. The Specified Procedures Task Force was charged with developing a standard that would result in a service in which practitioners would perform procedures and report procedures and findings without expressing an opinion or conclusion. No assertion would be required to be obtained and the report would not be restricted as to use.

Mr. Ard advised that the Task Force is requesting feedback on certain baseline issues and is not presenting a draft standard. The project is unique in that it is a joint project with the Accounting and Review Services Committee (ARSC). The current plan is that both the ARSC and the ASB will be asked to vote to expose the proposed standard for public comment, to consider comments received, and to ultimately vote to issue a final standard. Both the ARSC and the ASB have the authority to issue Statements on Standards for Attestation Engagements and the ARSC is committed to the development of the proposed standard. Mr. Ard stated that the ARSC met May 17-19, 2016 and considered the same issues on which the ASB is requested to provide feedback. A summary of the ARSC's consideration of the issues was provided to the ASB members. Additionally, the ARSC was provided a first read draft of a proposed standard and did commence deliberations on the draft. The draft standard is not included as part of the ASB meeting agenda materials due to time constraints.

ASB members asked how the charge of the Task Force differs from that given to the Direct Engagements Task Force. Mr. Landes stated that the Direct Engagements Task Force is charged with developing a standard that would permit the practitioner to perform a direct engagement in which the practitioner would obtain assurance (either limited or reasonable) and report accordingly. The Specified Procedures Task Force is charged with developing a standard for a service in which the practitioner would perform procedures and report findings without a requirement to obtain limited or reasonable assurance and the report would not include an opinion or conclusion.

Ms. Kassman stated that her initial reaction is that the proposed service could replace the agreed-upon procedures engagement. She questioned whether the aim should be to have the proposal supersede the agreed-upon procedures standard or whether the clarified agreed-upon procedures standard should be revisited. Mr. Santay stated that while the proposed service may be performed instead of the agreed-upon procedures engagement in many instances, the agreed-upon procedures literature would remain relevant and necessary in those instances in which the engagement is required by law, regulation, or contract.

Independence/Objectivity

Mr. Ard stated that the Task Force proposed that the practitioner would not be required to be independent in order to perform a specified procedures engagement but would be required to disclose a lack of independence in the practitioner's report. The ARSC rejected the Task Force's position and argued that since the practitioner would be required to obtain evidence it would be inappropriate to allow a non-independent practitioner to perform the engagement.

Mr. Landes stated that if the ASB agrees with the ARSC that independence should be a requirement for the performance of a specified procedures engagement, the Task Force would ask the AICPA staff to the Professional Ethics Executive Committee (PEEC) to advise as to whether the service would follow the same independence rules as an agreed-upon procedures engagement. Mr. Landes reminded the ASB that the ARSC and ASB would determine whether the engagement required the practitioner to be independent but that the PEEC would determine the requirements for being independent.

Ms. Marien stated that since the report is proposed to be in a format similar to an agreed-upon procedures report that users will find the service less credible if independence is not required. Mr. Shawver agreed that users would not see value if the service was permitted to be performed by a non-independent practitioner.

Ms. Gantnier stated that in the environment in which the smaller firm CPA operate, many users do not see independence as important and may actually see more value in a service performed by a practitioner who was not independent of the subject matter.

After discussion, the ASB directed that the draft standard be developed including a requirement that the practitioner be independent in order to perform the service. However, the ASB stated that further consideration may need to be given as the standard is developed and deliberations continue.

Preconditions for the Performance of a Specified Procedures Engagement

Mr. Ard stated that the Task Force proposed that the standard include certain preconditions to the performance of a specified procedures engagement. Specifically, 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.

Mr. Landes advised the ASB members that the proposed preconditions are in addition to those included in AT-C section 105.

Mr. Ard stated that the ARSC disagreed with the Task Force's proposed approach and directed that the proposed standard include no such preconditions. Mr. Kaye expressed concern that the proposed standard would be misapplied unless certain preconditions were included. Mr. Panucci suggested that perhaps an application paragraph could be included in the proposed standard that would remind practitioners that the engagement would not be applicable if the entity is required by applicable laws or regulations or contract to engage a practitioner to perform an agreed-upon procedures engagement.

Further, the Task Force had proposed that while either the practitioner, the engaging party, or another party could develop the procedures, the engaging party would have to acknowledge its responsibility for the sufficiency of the procedures. The ARSC disagreed with the Task Force proposal and instead directed that the proposed standard include a requirement that the practitioner design and perform the specified procedures to meet the objectives of the engagement. While the engaging party would specify the overall objective, the engaging party would not be responsible for the sufficiency of the procedures performed as the engaging party may not have a basis for making such a determination.

Mr. Montgomery agreed with the ARSC's conclusion and stated that it is counterintuitive for the engaging party to be required to accept responsibility for procedures that they may not have developed. Mr. Santay stated that he feels that it would be "form over substance" to require the engaging party to accept responsibility for procedures that they did not develop.

Mr. Kaye stated that if the engaging party is not required to accept responsibility for the procedures, then the practitioner's report should disclose that the engaging party has not taken such responsibility – similar to how an agreed-upon procedures report discloses when the responsible party does not provide an assertion.

Mr. Panucci stated that care needs to be taken to make sure that these engagements do not become quasi-audits.

General Use Reporting

Mr. Ard stated that the Task Force was charged with developing a standard that would not include a requirement to restrict the use of the specified procedures report. The practitioner would not be precluded from restricting the use of the report if he or she deems appropriate. The ARSC agreed that the proposed report should be general use without a preclusion from restricting the use of the report if, in the practitioner's judgment, it is appropriate to do so.

Mr. Boaz reminded the ASB members that the Yellow Book highlights certain information that would be considered confidential such as healthcare information and personally identifiable information. In instances in which the procedures or findings include such information, perhaps a requirement should be included to restrict the use of the report.

Written Representations

Mr. Ard stated that the Task Force is proposing 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. The ARSC agreed with the Task Force's proposal.

While the 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 proposed.

Reporting

Mr. Ard stated that the ARSC deferred consideration of the proposed reporting requirements until a future meeting. The ASB also agreed to defer consideration of the proposed reporting requirements.

Joint Project With the ARSC

Mr. Santay asked the ASB members whether the Board wanted to defer to ARSC with respect to the project or to have it continue as a joint project. After discussion, the Board determined that the project should continue as a joint ARSC/ASB effort.

Next Steps

Mr. Ard stated that the Task Force will plan to present a first-read draft of the proposed standard to the ASB at its meeting in August 2016. The Task Force will plan to ask the ASB to vote to expose the proposed standard for public comment at the Board's meeting in October 2016.

Mr. Ard thanked the ASB members for their input.