

**Accounting and Review Services Committee  
Meeting Highlights  
January 17-19, 2017**

**Committee members present:**

Mike Fleming, Chair  
Denny Ard  
Sheila Balzer  
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  
Kristy Illuzzi – Staff Liaison to Private Companies Practice Section Technical Issues Committee, Firm Services and Global Alliances Team  
Michael Jones – Assistant General Counsel  
Chuck Landes – Vice President, Professional Standards  
Richard Miller – Special Counsel (in person on January 17-18; via teleconference on January 19)  
Weiwei Tang – Technical Manager, Accounting & Auditing Content Development

**Center for Plain English Accounting (CPEA) staff (during liaison meeting only):**

Mike Austin – Senior Technical Manager – CPEA  
Bob Durak – Director of Private Company Financial Reporting and the CPEA  
Tom Groskopf – Technical Director of the CPEA  
Russ Madray – CPEA Senior Fellow  
Susanne Richards – Senior Advisor - CPEA

**Observers:**

Laura Billingsley – Practitioners Publishing Company  
Nigyar Mamedova – National Association of State Boards of Accountancy (NASBA), Director – Technical Research (on January 17-18 only)  
Stan Sterna – Aon, Vice President – Professional Firms  
Duncan Will – CAMICO Insurance Loss Prevention Manager, Accounting & Auditing Loss Prevention Specialist

The Accounting and Review Services Committee (the “ARSC” or the “Committee”) met January 17-19, 2017 in Key West, FL. 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 especially welcomed the two new ARSC members – D. Johnson and D. Verity.

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.

M. Fleming stated that he has had discussions with Don Pallais regarding the overhaul of the AICPA Guide on prospective financial information, especially with respect to the preparation and compilation of prospective financial information. Pursuant to the ARSC Operating Policy, the ARSC members will receive the chapters of the ARSC Guide dealing with SSARSs engagements for review as to whether the draft Guide is consistent with SSARSs. The ARSC members will be provided at least two weeks to review the draft Guide chapters. It is anticipated that the draft Guide will be provided to the ARSC members in mid-February 2017.

Ms. Balzer stated that the AICPA's Assurance Research Advisory Group (ARAG) met in December 2016 and considered responses received on the request for proposals that had been issued. While 15 proposals were advanced for ARAG consideration, no proposals were received on the topic of limited assurance. The ARAG feels that the topic did not generate much interest as, while it would be valuable for the profession, professors felt that it would be difficult to get research published if it did not relate to auditing. After review, the ARAG approved two proposals for funding:

- Identifying significant components and determining group materiality in an audit engagement, and
- Lost in translation – an analysis of auditor perceptions and tone at the top

The ARSC continues to believe that research would be helpful with respect to the concept of limited assurance and the ARSC members will reach out to academic contacts and see if interest can be generated.

M. Fleming asked the ARSC members if there were any practice issues that they wanted to discuss. D. Johnson stated that his firm has been debating the issue of whether a Medicare/Medicaid Cost Report would be considered a financial statement for purposes of applying AR-C section 70. After discussion, the ARSC concluded that professional judgment would be applied to determine whether the cost report was a financial statement. There is no “carve-out” for such “by-product” reports. The ARSC will consider a project to look at the applicability of AR-C section 70 and how it applies to engagements in which the preparation of financial statements is only a by-product of another service.

### Director's Report

C. Landes stated that while the new association with the Chartered Institute of Management Accountants (CIMA) will be promoted, nothing will change with respect to how the ARSC operates.

C. Landes reported that the ASB met a week prior to the ARSC meeting. D. Ard and M. Glynn presented the selected procedures draft to the ASB at its meeting and will advise the ARSC of the ASB's consideration when that project is presented to the ARSC at this meeting. The ASB voted to ballot to issue the going concern standard as final. The new standard will bring the GAAS literature in line with the GAAP requirements. While the standard is framework neutral, it better aligns the auditor's responsibilities with management responsibilities. The end result is that the auditor will evaluate the entity's ability to continue as a going concern for the same period as management.

C. Landes stated that the proposed standard on reporting on audits of employee benefit plans was not voted for public exposure, but instead will be considered during a special public conference call in February 2017. The ASB is proposing to eliminate the disclaimer of opinion in a limited scope engagement. Instead, the auditor will issue an opinion that is based, in part, on the auditor's reliance on the plan's investments certification. This is a significant change that is intended to address audit quality issues. The ASB is also proposing to require the auditor to report findings with respect to certain prescribed required procedures. The ASB feels that this should not result in a significant increase in audit effort as the procedures are such that the auditor should already be performing them as part of the audit.

The ASB is also continuing its project to revise the auditor's general reporting requirements. The proposed standard may be voted for public exposure at the ASB's meeting in May 2017. The proposal will result in convergence of US GAAS with international auditor reporting standards. The most obvious revision will be a requirement that the auditor's opinion be at the beginning of the report. The report will also include enhanced descriptions of auditor and management responsibilities. The auditor will be permitted to voluntarily report key audit matters (KAMs). KAMs would be those issues that the auditor struggled with as part of the audit and a description as to how the auditor got comfortable in concluding that sufficient appropriate audit evidence was obtained. KAMs would be a subset of those items that would be required to be reported to those charged with governance.

The ASB is also continuing its project on exempt securities with an expectation that a vote to issue as a final standard may be held in May 2017. The proposal addresses required procedures, primarily with respect to subsequent events, when the auditor is associated with an exempt securities offering. The triggers will be very prescriptive and will be similar to those found in the extant Not-for-Profit and State & Local Government Audit Guides.

The ASB also received an update on current activities of the IAASB from Arnold Schilder, the IAASB Chairman, and held liaison meetings with the AICPA Technical Issues Committee and the Assurance Services Executive Committee (ASEC). The ASB and ASEC are currently working together on three separate Guides. The Cybersecurity Guide has cleared the ASB while separate guides on Sustainability and Audit Data Analytics are currently under ASB review.

### ***International Reporting Issues***

M. Glynn presented the agenda materials and advised that the objective was to vote to ballot to expose the proposed SSARS *Considerations for Compilations and Reviews of Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country or Conducted in Accordance With Both SSARs and Another Set of Compilation or Review Standards* for public comment. The draft standard addressed proposed requirements and guidance when 1) financial statements are prepared in accordance with a foreign framework (not IFRS) and 2) the compilation or review is to be performed in accordance with the international compilation or review standards.

After review, the ARSC directed that:

- The proposed standard be titled *International Reporting Issues*
- The proposed explanatory (wrap) material be revised to be more descriptive as to how the proposed standard would change practice
- Thought be given as to whether it is possible to perform a compilation in accordance with both AR-C section 80, *Compilation Engagement* and ISRS 4410 (Revised), *Compilation Engagements* (ISRS 4410 (Revised)).

The ARSC directed that a revised draft of the proposed standard be presented to the ARSC at its meeting in May 2017. The ARSC will consider voting to ballot to expose the proposed standard for public comment at that meeting.

In addition, the ARSC reviewed a document that purported to outline those requirements that accountants who are engaged to perform a review engagement in accordance with International Standard on Review Engagements 2400 (Revised), *Engagements to Review Historical Financial Statements* (ISRE 2400 (Revised)) are required to perform in addition to those requirements in AR-C section 90, *Review of Financial Statements*. The ARSC stated that it does not believe that a review performed in accordance with ISRE 2400 (Revised) should be significantly different. The ARSC directed that:

- A document be presented to the ARSC at its meeting in May 2017 that would show the requirements from ISRE 2400 (Revised) and AR-C section 90 in side-by-side format. The ARSC would then consider whether the differences are justified and whether any revisions should be made to SSARs to harmonize with

ISRE 2400 (Revised). The ARSC would then summarize the significant differences and consider how such differences should be communicated.

- While not necessary for the May 2017 meeting, the ARSC also directed that a document be prepared that showed the requirements from ISRS 4410 (Revised) and AR-C section 80 in a side-by-side format.

*Specified Procedures* (joint project with the ASB)

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 revised draft of a proposed standard dealing with engagements to perform specified procedures. The ASB had reviewed the draft standard at its meeting January 9-12, 2017 (the week prior to the ARSC meeting).

*Responsibility for the Procedures Performed*

D. Ard stated that the consensus view of the ASB members was that the Task Force is on the right track with respect to responsibility for the sufficiency of the procedures performed. The ASB directed that the standard include a clear requirement that the practitioner, prior to issuing the selected procedures report, make the engaging party aware of the procedures performed. Such acknowledgment does not constitute the engaging party taking responsibility for the sufficiency of the procedures performed.

R. Miller stated that he does not feel that the acknowledgement of the awareness of the procedures should be a requirement and instead should be a best practice.

After discussion, the ARSC agreed with the ASB's directive. However, the ARSC 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 directed that the proposed standard be clear that the responsibility for the procedures performed is a fundamental difference between a selected procedures and an agreed-upon procedures engagement. The ARSC also directed that the terms of the engagement be clear as to whether a party takes responsibility for the sufficiency of the procedures.

*Common Concepts for Non-Assertion Based Attestation Standards*

D. Ard advised that the Task Force plans to present a draft common concepts standard that would address only non-assertion based attestation engagements to the ARSC at its meeting in May 2017. The proposed standard will use AT-C section 105 as a base and show proposed changes to that section in redline format.

Further, the ARSC concluded that it:

- Agreed with the ASB that the practitioner should be required to request written representations as part of a selected procedures engagement, and

- Was agreeable with the ASB’s directive to include restricted-use reporting in the common concepts standard. The ARSC further agreed with the directive that the standard be clear that the practitioner is not required to restrict the use of a selected procedures report. The ARSC directed that the standard also make clear that practitioners are not precluded from restricting the use of any report.

The ARSC directed that a revised draft of the selected procedures standard be presented to the ARSC at its May 2017 meeting with an intent for the ARSC to vote to ballot to expose the proposed standard for public comment. The exposure draft will most likely not be issued until after the ARSC votes to expose the proposed common concepts chapter for public comment (potentially after the ARSC’s meeting in August 2017). Exposure may also be delayed until the ASB votes to expose the proposed non-assertion based examination and review standards.

***Materiality in Review Engagements***

M. Glynn presented the agenda materials and advised that the objective was to discuss issues with respect to materiality in review engagements and whether additional requirements or guidance is needed – in either the SSARSs or the SSARSs Guide.

The ARSC observations included:

- That it would be helpful to have a clear communication to CPAs that, because it is an attribute of the financial statements, materiality does not change based on the level of service performed. D. Verity stated that his firm utilizes their audit materiality worksheets to calculate materiality for a review engagement.
- In a review, the CPA would, at a minimum need to qualify deviations in order to be able to accumulate possible misstatements to conclude whether the CPA is aware of any material modifications that need to be made to the financial statements.

R. Miller stated that Ethics Code section 1.400.040, Negligence in the Preparation of Financial Statements or Records, states that a member is considered in violation of the “Acts Discreditable Rule” if the member fails to correct financial statements that are materially false and misleading.

Since ISRE 2400 (Revised) includes an explicit requirement for the accountant to 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, the issue of materiality in a SSARSs review will be addressed as the ARSC considers differences between AR-C section 90 and ISRE 2400 (Revised).

***Liaison with Staff from the Center for Plain English Accounting (CPEA)***

The ARSC met with staff of the CPEA. The discussion included:

- SSARS 23 implementation issues

- Inquiries received from CPEA members with respect to SSARS 21 and the SSARSs Guide
- ARSC activities for 2017
- Potential topics for CPEA reports and webinars

***Wrap-up***

The next in-person meeting of the ARSC will be May 9-11, 2017 in Indianapolis, IN. At that meeting, the ARSC expects to:

- Consider a revised draft of the proposed SSARS *International Reporting Issues* and consider voting to expose for public comment
- Consider a revised draft of the proposed SSAE *Selected Procedures* and consider voting to expose for public comment. Also, consider a first read draft of the proposed common concepts standard addressing non-assertion based attestation engagements
- Consider a comparison between ISRE 2400 (Revised) and AR-C section 90 and whether revisions or additional guidance is needed with respect to SSARSs reviews
- Consider the new SAS addressing the auditor's consideration of going concern and whether any revisions should be made to 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):

- August 15-17, 2017 – Boston, MA
- November 14-16, 2017 – Charleston, SC