Committee, Task Force, and Expert Panel Updates From the Financial Reporting Center

AICPA committees and expert panels comprise members who volunteer their time to work with AICPA staff to achieve the AICPA’s objectives. Committees and expert panels help present the interests, needs, and attitudes of the membership. They also assist the AICPA in maintaining high standards of professional practice, promoting the interest of CPAs, serving as spokespersons for the profession, and providing appropriate services to members. Finally, they deliberate and come to agreement on key issues to serve the profession.

The articles in this expanded Financial Reporting Center newsletter highlight some of the recent activities by the following AICPA committees and expert panels:

- Auditing Standards Board
  - ASB Update
- Accounting and Review Services Committee
  - ARSC Update
- Assurance Services Executive Committee and Task Forces
  - ASEC Update
Auditing Standards Board

The Auditing Standards Board (ASB) is the AICPA’s senior committee for auditing, attestation, and quality control applicable to the performance and issuance of audit and attestation reports for onissuers. Its mission is to develop and communicate comprehensive performance, reporting, and quality control standards and practice guidance to enable auditors of nonissuers to provide high quality, objective audit and attestation services at a reasonable cost and in the best interests of the profession and the beneficiaries of those services, with the ultimate purpose of serving the public interest by improving, existing, and enabling new audit and attestation services.

ASB Update


The ASB voted unanimously to ballot for issuance as a final standard the proposed SAS Auditor Involvement with Exempt Offering Documents. (It will be issued as SAS No. 133). The final standard will be effective for effective for exempt offering documents with which the auditor is involved that are initially distributed, circulated, or submitted on or after June 15, 2018. The standard identifies the circumstances that determine when an auditor is considered to be involved with an exempt offering document and establishes performance requirements when involved that are generally consistent with AU-C section 560, Subsequent Events and Subsequently Discovered Facts, and AU-C section 720, Other Information in Documents Containing Audited Financial Statements (AICPA, Professional Standards, AU-C sec. 560 and AU-C sec. 720).

The ASB discussed 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, the ASB discussed certain issues relating to proposed AU-C 700, Forming an Opinion and Reporting on Financial Statements. The ASB also discussed issues relating to the project to revise AU-C section 720, Other Information in Documents Containing Audited Financial Statements and reviewed the draft standard. The ASB expects to vote to issue an exposure draft on a suite of standards relating to auditor reporting and other information at its July meeting.

The ASB considered proposed amendments to various AU-C sections to address eliminating unnecessary differences with PCAOB standards not considered during the Clarity project (specifically, AS 16, Communication With Audit Committees, AS 17, Supplementary Information, and AS 18, Related Parties), and to address convergence with IAASB projects on disclosures and non-compliance with laws and regulations. The topic will continue to be addressed at future meetings.

The ASB discussed a draft of a proposed attestation standard addressing engagements to perform selected procedures which is being developed in a joint project with the Accounting and Review Services Committee (ARSC). In a selected procedures engagement, a practitioner would perform procedures and report procedures and findings without expressing an opinion or conclusion. The practitioner would not be required to obtain an assertion and the report would not be required to be restricted as to use. The proposed standard is expected to be voted for issuance as an exposure draft at the next meeting of ARSC.

The ASB discussed direct engagements, in which the practitioner measures the subject information against specified criteria and party responsible for the subject information does not provide an assertion to the practitioner. The ASB decided to explore revising the existing attestation standards to incorporate these engagements rather than develop new standards to address them.

The ASB also discussed the exposure draft of International Standards on Auditing (ISA) 540 (Revised), Auditing Accounting Estimates and Related Disclosures, recently issued by the International Auditing and Assurance Standards Board (IAASB).
Accounting and Review Services Committee

The Accounting and Review Services Committee (ARSC) is the senior committee of the AICPA that is designated by Council to issue pronouncements in connection with the unaudited financial statements or other unaudited financial information of a nonpublic entity that are to be observed by members of the AICPA in accordance with the AICPA’s Code of Professional Conduct and Bylaws. The mission of ARSC is to serve the public interest by developing, updating and communicating comprehensive performance and reporting standards and practice guidance that enable accountants of nonissuers to provide high quality, objective compilation, review, and preparation services in the best interests of the profession and users of financial statements, with the ultimate purpose of serving the public interest. ARSC accomplishes its mission by (1) developing SSARSs that inspire public trust and (2) responding in a timely manner to the need for guidance and communicating it clearly to the profession and to users.

ARSC promulgates SSARSs and, as a part of its due process, releases Exposure Drafts of proposed SSARSs. The AICPA also issues interpretive and other publications to assist practitioners in understanding and applying the standards.

ARSC Update

Accounting and Review Services Committee

The ARSC met May 9-11, 2017 in Indianapolis, IN. At the meeting, the ARSC discussed:

- 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 requirements and guidance with respect to international reporting issues

- The accountant’s requirements with respect to consideration of going concern in a review performed in accordance with SSARSs

Selected Procedures and Proposed Revisions to AT-C section 105

The ARSC supports revising AT-C section 105 so that it would apply to both assertion-based and non-assertion based attestation engagements.
Because the level of assurance for the proposed non-assertion based examination or review engagement is the same as it is for an assertion-based examination or review engagement, the ARSC questioned why a new AT-C section is necessary. Instead, similar to the revisions proposed to AT-C section 105, the ARSC suggested that the Auditing Standards Board consider revising AT-C sections 205 and 210 to permit non-assertion based examinations and reviews, respectively.

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.

*ISRE 2400 (Revised) and AR-C section 90*

The ARSC walked through a side-by-side comparison of the requirements of ISRE 2400 (Revised) *Engagements to Review Historical Financial Statements* and AR-C section 90. The following represents the significant determinations and directives:

**Professional Skepticism in a Review Engagement**

ISRE 2400 (Revised) includes a requirement for the practitioner to 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, *Review of Financial Statements* does not include a similar requirement. The ARSC discussed the issue and concluded that 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 Assurance Research Advisory Group 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*.

**Materiality**

ISRE 2400 (Revised) includes a requirement to the practitioner 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 ARSC directed that an interpretation be prepared that makes clear that the accountant, in performing a review engagement, would need to determine materiality and apply such materiality in designing the procedures and evaluating the results from those procedures.

**Incremental Requirements**

The 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.

**Going Concern**

The ARSC considered the accountant’s requirements with respect to consideration of going concern in a review performed in accordance with SSARSs 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.

Next Meeting

The next ARSC meeting is scheduled for August 15-17, 2017 in Boston. The agenda for that meeting is expected to include:

- Consideration of a revised draft of the proposed SSAE Selected Procedures and consideration of voting to expose the drafts for public comment

- Consideration of revised drafts of the proposed SSARSs 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

Consideration 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

Assurance Services Executive Committee and Task Forces

Revised (January, 2016) Vision, Mission, and Objectives

Vision: A dynamic CPA Profession that continuously evolves to provide high quality, value-added, innovative assurance and advisory services for its stakeholders.

Mission: To support the ongoing relevance of the CPA Profession by continuously exploring and addressing emerging market needs and demand for assurance and advisory services.

Objectives:

ASEC’s focus is to continuously identify and assess significant developments and opportunities relating to emerging assurance and advisory needs, and to determine the approach that is most responsive, including identifying needed thought leadership, guidance and criteria, tools, or other support in furtherance of the public interest.

Accordingly, the primary objectives of ASEC are to:

1. Identify and assess new service opportunities related to market needs and demands
2. Where needed, develop and communicate assurance and advisory guidance (including, where necessary, underlying suitable criteria)
3. Support the innovation of traditional services (e.g. the financial statement audit and existing attestation services) to enhance quality and meet evolving market needs
4. Collaborate with industry, government and other specialized groups to enhance members’ ability to efficiently and effectively meet market needs related to new and existing services
5. Maintain existing guidance and criteria developed by ASEC

Assurance Services Executive Committee (ASEC) The Committee met on January 17-18, 2017 and discussed status of ASEC’s task forces and working group initiatives (see below) and potential future assurance projects. ASEC also met with the Auditing Standards Board (ASB) and discussed issues of mutual interest. Topics included direct engagements; audit data analytics guide update and RADAR initiative; cybersecurity update (discussed various issues the task force is dealing with in resolving comments on the draft audit guide and exposed trust information principles criteria, including reporting using maturity models);
and an education session on blockchain technology and possible financial transaction and reporting implications.

**Assurance Service Executive Committee (ASEC) XBRL Assurance Task Force**

The XBRL Assurance Task Force has published SOP13-2 Performing Agreed-Upon Procedures Engagements That Address the Completeness, Mapping, Consistency or Structure of XBRL-Formatted Information (SOP) which supersedes SOP09-01, Performing Agreed-Upon Procedures Engagements That Address the Completeness, Accuracy, or Consistency of XBRL-Tagged Data. The SOP provides practitioners with guidance on performing agreed-upon procedures engagements for issuers submitting exhibits to the Securities and Exchange Commission (SEC) containing XBRL files and is based on the recently published Principles and Criteria for XBRL-Formatted Information. The Task Force also published an XBRL Update titled, Get Your Sign Values Correct in XBRL Files. This update is intended for preparers and reviewers of XBRL files to aid them in evaluating the files. It provides tips and guidance for analyzing the XBRL tag to determine the proper sign value to input into the XBRL files for financial information using the US GAAP Taxonomy.

**XBRL**

The AICPA and XBRL US launched the XBRL US GAAP Certificate Program (Program). This comprehensive online training program provides in-depth XBRL knowledge on creating and reviewing quality XBRL financials. The program, which includes 35 modules, is intended to cover all aspects of US GAAP reporting in XBRL, e.g., best practices and common errors to avoid. The Program launched in July, 2013 all required courses to complete the Certificate are available.

The AICPA is closely monitoring developments related to the Digital Accountability and Transparency Act of 2014 (or DATA Act). XBRL is one of the standards that will support the requirements of the law which entails the adoption of a data standard to report federal contract, loan, and grant spending information of federal programs. The AICPA provides communications to educate members in government (and those with government clients) on the requirements of the DATA Act and the potential impact on accountants. The AICPA published a blog informing members of the requirements of the law and implications for CPAs and participated in the Financial Data Summit panel on XBRL in March 2016.

The XBRL Center for Data Quality has been established to develop freely available validation rules and guidance for the public to use to help preparers of XBRL financial statements create accurate and consistent XBRL files. The AICPA joined the Center, and is represented on the Committee that develops guidance, in addition to providing staff support to the Committee. The Committee has issued three sets of validation rules aimed to help reduce common input errors by filers. The Committee is also working to develop a Framework to Ensure Consistency and Comparability of XBRL Data (Framework) and will develop topic specific guidance based on the Framework. The Committee is reviewing the US GAAP Taxonomy in conjunction with developing guidance and has provided a comment letter to the FASB Invitation to Comment on the Efficiency and Effectiveness of the US GAAP Taxonomy.

On March 16, 2017 the SEC proposed to require operating companies and mutual funds to use Inline XBRL and embed tags in their financial statements and their risk/return summaries, respectively, rather than provide this data in separate XBRL exhibits. The requirement would be phased in over three years for operating companies based on their filing status and over two years for mutual funds based on net assets. There is no change to the positions pertaining to the exclusion of the Interactive Data File from the officer certification and assurance requirements. The AICPA is submitted a comment letter to the SEC.

**Assurance Services Executive Committee (ASEC) Sustainability Task Force**

This task force is focusing on advocacy and communicating the role of CPAs in sustainability reporting and assurance both within and outside of the Profession.
This task force is also contributing to the development of a Sustainability Assurance Guide which we aim to publish in late July, 2017.

In an effort to promote the Sustainability Assurance Guide, the following are planned/in the process of being developed:

- A video webcast (to deliver in late July)
- An updated assurance brochure
- An article in the JoA (possibly for the Sep/Oct issue)

Assurance Services Executive Committee (ASEC) Trust Information Integrity Task Force

The task force issued the 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality and Privacy. This version restructures and aligns the trust services criteria with the COSO 2013 Framework and facilitates their use in an entity-wide engagement (see Cybersecurity below). The 2017 trust services criteria are codified as TSP section 100. The 2016 trust services criteria will be available in TSP section 100A through December 15, 2018. After that date, the 2016 criteria will be considered superseded.

During the transition period (April 15, 2017 through December 15, 2018), practitioners should distinguish in their reports whether the 2016 or the 2017 trust services criteria have been used. The 2017 trust services criteria presents control criteria for use in attestation or consulting engagements to evaluate and report on controls over the security, availability, processing integrity, confidentiality, or privacy over information and systems (a) across an entire entity; (b) at a subsidiary, division, or operating unit level; (c) within a function relevant to the entity’s operational, reporting, or compliance objectives; or (d) for a particular type of information used by the entity.

The task force is revising the SOC 2® Guide, Reporting on Controls at a Service Organization Relevant to Security, Availability, Process Integrity, Confidentiality or Privacy July 2015 for changes resulting from the Clarified Attestation Standards and changes to the Trust Services Criteria. Additionally the task force is revising the SOC 2 description criteria which will be publicly exposed in July 2017.

The task force is also updating mappings of the TSC to various frameworks including NIST 800-53, Cybersecurity, ISO 27001, etc. The 2016 mappings are posted on the AICPA SOC website.

Cybersecurity

ASEC formed the Cybersecurity Working Group which in collaboration with the AICPA’s Auditing Standards Board (ASB) developed practitioner guidance for performing examination attestation engagements related to cybersecurity (SOC for Cybersecurity). The cybersecurity examination attestation engagement reporting package consists of:

1. Management’s description of the entity’s cybersecurity risk management program
2. Management’s assertion on:
   - The presentation of the description in accordance with a defined set of description criteria
   - the effectiveness of controls in achieving an entity’s cybersecurity objectives based on a suitable set of control criteria (e.g. AICPA Trust Services Criteria (TSC), NIST CSF, ISO 27001)
3. Independent practitioner’s report that reports directly on:
   - the presentation of the description and the effectiveness of the controls in achieving the entity’s cybersecurity objectives based on a suitable set of control criteria (e.g. AICPA Trust Services Criteria (TSC), NIST CSF, ISO 27001)
In connection with the engagement the working group developed two sets of criteria that were published in April 2017. Description Criteria for Management’s Description of an Entity’s Cybersecurity Risk Management Program is intended for use by management in designing and describing their cybersecurity risk management program and by practitioners to report on management’s description in connection with a cybersecurity examination attestation engagement. The 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy outlines revised trust services criteria for use by practitioners that provide advisory or attestation services to evaluate the controls within an entity’s cyber risk management program. Management also uses the trust services criteria to evaluate the effectiveness of controls.

**HITRUST**

In an effort to expand SOC 2 engagements into multiple markets, the AICPA HITRUST working group, under the direction of the Trust Information Integrity Task Force, developed a SOC 2 report that also incorporates criteria from the HITRUST Common Security Framework (CSF), a mapping between the HITRUST CSF and the Trust Services Criteria, and FAQs to assist practitioners in the performance of SOC 2 plus HITRUST CSF engagements. The illustrative report, FAQs, and mapping have been posted to the AICPA SOC webpage. Current projects are underway to update the mapping, FAQs, and the illustrative report for the clarified attestation standards and recent revisions to the Trust Services Criteria and HITRUST CSF.

**Assurance Service Executive Committee (ASEC) Emerging Assurance Technologies Task Force**

The Assurance Services Executive Committee (ASEC) Emerging Assurance Technologies Task Force is responsible for developing a conceptual framework and guidance to capitalize on emerging technologies affecting the business information supply chain, covering both internal and external reporting. This task force is currently undertaking two projects: Continuous Assurance and Audit Data Standards.

**Audit Data Standards:** One of the main projects that this task force has been working on is developing a standardized data model that management, internal auditors and external auditors could utilize for enhanced analytics that would contribute to the timeliness and effectiveness of the audit process.

One of the challenges that management and auditors face is obtaining accurate data in a usable format following a repeatable process. As a result, the Emerging Assurance Technologies Task Force (EATTF) has developed a voluntary, uniform audit data standards that identify the key information needed for audits and provide a common framework covering: (1) data file definitions and technical specifications, (2) data field definitions and technical specifications, and (3) supplemental questions and data validation routines to help auditors better understand the data and assess its completeness and integrity. The standards are offered in either of the following two file formats: (1) flat file format (pipe-delimited UTF-8 text file format) and (2) XBRL GL.

The Inventory sub ledger audit data standard document is available for download on the Audit Data Analytics page of the Financial Reporting Center.

The audit data standard working group is also developing a fixed asset sub ledger audit data standard. The public review period for this standard is targeted for July of 2017.

The current published standards include: Base, General Ledger, and Order to Cash and Procure to Pay and can be accessed on the audit data standard working group page of the Financial Reporting Center.

**Audit Data Analytics:** The audit data analytics working group is developing a spreadsheet that will link the traditional audit procedures performed to audit assertions, audit objectives, the audit data standards, and analytical tools and “apps” that are available today. The group plans on publishing version 1 of the spreadsheet along with illustrative examples in the summer of 2017.
ASEC/ASB Joint Audit Data Analytics Guide Working Group: The ASEC and ASB have formed a joint working group that is developing a new audit data analytics guide. This guide will replace the current analytical procedures guide; however, much of the content from the current guide will be carried forward into the new guide. This new guide will discuss audit data analytics and provide examples of how these tools and techniques and be integrated into the current auditing process. The guide is scheduled to be published in August of 2017.