

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 spokespeople for the profession, and providing appropriate services to members. Finally, they deliberate and come to agreement on key issues to serve the profession.

The content of this expanded Financial Reporting Center newsletter highlight some of the recent activities by the following AICPA senior committees:

- Auditing Standards Board
- Accounting and Review Services Committee
- Assurance Services Executive Committee and Task Forces

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 nonissuers. 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 Auditing Standards Board (ASB) met on July 20-22, 2021 by videoconference.

The Board heard an update on IAASB activities from IAASB member Wendy Stevens. The Board discussed the IAASB's project on audits of less complex entities, with the objective of developing the ASB's comment letter on the IAASB's exposure draft by the comment period deadline of January 31, 2022. The Board also discussed the IAASB's project on revising its standard on group audits, with the objective of developing a proposed converged standard.

The Board also heard an update on outreach efforts and feedback received to date from stakeholders on the exposure of the proposed Quality Management Standards. The comment period ended on August 31, 2021.

The Board continued its discussion from the January, March and May 2021 ASB meetings of issues arising from the comment letters received in connection with the Exposure Draft of proposed SAS *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment*.

On August 18, 2021, the Board met by videoconference and voted to issue proposed SAS *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment* as a final standard.

The ASB also met on September 10 by videoconference to discuss comment letters received on the Exposure Draft of proposed revisions to AU-C Section 210, *Terms of Engagement*, which would "require a prospective successor auditor, once management authorizes the predecessor auditor to respond to inquiries from the auditor, to inquire of the predecessor auditor regarding identified or suspected fraud or noncompliance with laws or regulation (NOCLAR)." The ASB also discussed the agenda materials for the IAASB's September 2021 discussion of proposed International Standard on Auditing (ISA) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and proposed ISA for Audits of Financial Statements of Less Complex Entities. Other IAASB agenda items discussed were proposed amendments to various IAASB standards to conform to the IAASB Quality Management standards, the IAASB auditor report standards post-implementation review, and the IAASB work plan.

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

In addition to the SSARs, ARSC and the Auditing Standards Board (ASB) both have the authority to issue Statements on Standards for Attestation Engagements (SSAEs). ARSC develops and issues SSAEs through a process that includes deliberations in meetings open to the public, public exposure of proposed SSAEs, and a formal vote.

ARSC Update

The ARSC has not held any public meetings since the issuance of the July 1, 2021 Financial Reporting Center newsletter.

The ARSC will meet via videoconference on November 2, 2021. During that meeting, the ARSC will continue its consideration of a draft of the proposed SSAR, *Quality Management for an Engagement Performed in Accordance with Statement on Standards for Accounting and Review Services*. The draft is consistent with revisions to the quality control/quality management standards and the auditing standards as proposed by the Auditing Standards Board (ASB) in its exposure draft issued in February 2021. The ARSC is expected to vote to expose

the proposed SSARS for public comment. The ARSC plans to issue the proposed SSARS simultaneous with the ASB's issuance of the proposed quality management standards and the corresponding revisions to the auditing standards.

Assurance Services Executive Committee (ASEC)

[AICPA Assurance Services Executive Committee \(ASEC\)](#) - The mission of ASEC is to support the Profession in serving the public interest by continuously anticipating, identifying, assessing and addressing evolving market needs and demand for assurance and advisory solutions. Its focus is to continuously monitor significant developments and opportunities relating to emerging assurance and advisory needs, and to determine and develop relevant thought leadership, guidance and criteria, tools, or other member support. The following is the status of ASEC's task forces and working groups initiatives:

[ASEC Trust Information Integrity Task Force:](#) This task force is responsible for the technical accuracy of the Trust Service Criteria (TSC), including expanding its scope for entity-wide engagements and developing related services leveraging the TSC:

- The ASEC Blockchain Implications for SOC 1 and SOC 2 Engagements working group was formed to develop guidance for practitioners engaged to examine a service organization that uses blockchain technologies within the system used to provide services to customers. The document is expected to be published initially as a free member resource in Q4 2020.
- AAI staff has developed an FAQ on commonly asked questions in SOC 2 examinations. The FAQ is expected to be published as a free member resource in Q4. The staff is also developing an FAQ on SOC software tools that will address the benefits, risks, and responsibilities of using such tools in a SOC 2 examination. The FAQ is expected to be published as a free member resource in 2021.
- The AAI staff has developed a survey designed to better understand the market for all SOC and third-party assessment services. The survey results will be presented to ASEC at its January 2021 meeting. Subsequently, survey results will be communicated through a variety of channels to the membership.
- The ASEC Cybersecurity Working Group continues to meet periodically to discuss status of adoption of the new SOC for Cybersecurity service by the marketplace. The AAI staff are continuing to perform outreach in connection with the new service.
- The ASEC/ASB Third-Party Assessment working group is developing a plan for providing guidance to CPAs engaged to perform services in connection with third-party assessment engagements (such as HITRUST's Common Security Framework and FedRamp). The proposed plan will be discussed with the SDWG and the AITF at its joint meeting in December 2020.
- The ASEC Software Functionality working group is developing guidance for practitioners engaged to examine whether a piece of software is "fit for purpose" (that is, whether it functions as designed). The working group is also exploring whether there is a need for other types of engagements, such as limited assurance and AUP engagements.
- [Data Integrity Criteria](#) - a subgroup of the Trust Information Integrity Task Force developed criteria that can be used to assist senior management, boards of directors, internal auditors and other stakeholders in assessing the quality of data used in decision making. The criteria can also be used by a CPA in attestation or consulting engagements on the integrity of a set of data. Additionally, a wrapper document has been developed to provide illustrating examples of criteria usage. Both the criteria and the wrapper document were published in January 2020 as free resources on aicpa.org.

[ASEC Sustainability Assurance and Advisory Task Force:](#) This task force is responsible for positioning the CPA Profession as the provider of sustainability assurance and related advisory services. Some recent projects include:

- Developing a joint paper with the Center for Audit Quality (CAQ) that explores the risk and legal considerations associated with a company's decision to report ESG information in SEC submissions and engage an audit firm to perform an attestation engagement related to that information.
- Developing a response to the IFRS Foundation Consultation on Sustainability Reporting in advance of the December 31, 2020 submission date.

[ASEC Materiality Working Group](#) -The ASEC Materiality Working Group staff has issued, in August 2020, a paper discussing how practitioners consider materiality when performing attestation engagements of various nonfinancial subject matters, particularly when aspects of those subject matters cannot be quantitatively measured. The paper is a free resource for practitioners.

Additional Assurance & Advisory Innovation Team Projects of Interest to ASEC:

[The Rutgers AICPA Data Analytics Research \(RADAR\) Initiative](#)

The Mission of RADAR is to facilitate the further integration of data analytics into the audit process, and to demonstrate through research how this can effectively lead to advancements in the public accounting profession. The RADAR research teams have completed work on the following research projects:

1. Multidimensional Audit Data Selection seeks to articulate a process for filtering large populations of data, identifying items that may be more likely to contain or result in material misstatement(s).
2. Process Mining leverages process mining techniques to analyze business processes and help form a view of the effectiveness of internal controls.

A “[Key Learnings](#)” document has been published to the RADAR website. This document discusses the MADs research project, and insights gained on the use of filtering techniques in the financial statement audit. The document can be accessed [here](#). Currently, there are no new research projects underway. The RADAR board voted to meet on a quarterly basis to discuss updates in the area of audit data analytics and their use in practice. The RADAR board hopes that these discussions will drive the need for new research opportunities in this area.

[XBRL Initiative](#)

- 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 creates the guidance and rules, in addition to providing staff support to the Committee. The Committee has issued 13 sets of validation rules which are aimed to help reduce common input errors by filers, its 14th set of rules is currently under public review. XBRL US runs the DQC rules for all company filings and has developed a webpage that provides a list of all companies with details of DQC rule violations. The FASB has incorporated the rules into the 2020 US GAAP taxonomy.
- SOP 13-2 *Performing Agreed-Upon Procedures Engagements That Address the Completeness, Mapping, Consistency, or Structure of XBRL-Formatted Information* has been revised to reflect conforming changes necessary due to the issuance of SSAE No. 19. The guidance has also been updated for necessary changes for updates in XBRL technology, including Inline XBRL.
- The State of Florida (HB1073) passed a law to require XBRL financial statements for state, county and municipals by 2022.
- The GREAT Act signed into law December 2019, requires recipients of federal grants to submit the reporting package (including financial statements, schedule of expenditures and auditors’ reports) using data standards.

[Blockchain Initiative](#)

- The AICPA (through cpa.com) has formed a collaboration with the Wall Street Blockchain Alliance (WSBA). AICPA staff is participating in the WSBA accounting working group.
- A joint Digital Assets Working Group under the ASEC, ASB and FinRec committees has been established to develop accounting and auditing content on digital assets. Content is currently being drafted, based on outlines that were developed, and will be shared with the FASB, SEC and PCAOB in addition to some industry specific expert panels for review. Output is in the form of a [practice aid that has been posted to the technology hub page of .org](#). Additional topics will be developed and added to the practice aid in the future.
- A joint working group with the Information Systems Audit and Control Association (ISACA) has been established to articulate the risks associated with use of private blockchains and distributive ledger technology. Currently, as a first step, the working group is documenting the unique processes of a blockchain lifecycle, identifying domains within that lifecycle, and documenting risks for each of those domains.

[Artificial Intelligence](#)

- The ASEC collaborated with CPA Canada to co-publish two whitepapers on artificial intelligence. PWC is lead author on both papers. The first paper, [A CPA’s Guide to AI: From Algorithms to Deep Learning, What You Need to Know](#) is a primer for the Profession on AI, was published Q1 2019. The second paper, [The Data Driven Audit: How Automation and AI are Changing the Audit and the Role of the Auditor](#), explores the benefits and challenges of AI on the Profession. The paper was published July 2020. A webcast will be developed covering both papers and is expected during the 1st Q 2021.

[QCM Criteria](#)

- The ASEC is working with the Quality Control Material (QCM) Task Force of the National Peer Review Committee of the Peer Review Board to develop QCM criteria and description criteria to accompany QCM examination. The criteria are being developed by the QCM Task Force and will be technically reviewed and exposed by ASEC in Q1 2021.

[AICPA Audit Data API working group](#)

- The AICPA has formed the Audit Data API working group to develop an audit data transfer standard in an Open API format to help with the transmission of data between systems. The initial standard covers the general ledger transaction details and trial balance which is based on the [General Ledger Audit Data Standard](#) already developed by the AICPA, it uses the terms defined in that standard where applicable, and includes content added to support an API interface. The standard can be accessed through the [XBRL US Audit Data API GitHub page](#). The working group conducted a friends and family outreach to various member of the AICPA ADS working group and other technical subject matter experts. Once the initial standard is finalized, the working group will move on to other subledger areas.

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