



RSM US LLP

September 1, 2022

Professional Ethics Division  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas, 19th Floor  
New York, NY 10036

Via email to [ethics-exposedraft@aicpa.org](mailto:ethics-exposedraft@aicpa.org)

Re: Exposure Draft, *Proposed New and Revised Definitions and Interpretations - Compliance Audits*, AICPA Professional Ethics Division – June 3, 2022

RSM US LLP (RSM) appreciates the opportunity to comment on the American Institute of Certified Public Accountants (AICPA) Professional Ethics Division's June 3, 2022 Exposure Draft, *Proposed New and Revised Definitions and Interpretations - Compliance Audits* (the Exposure Draft). RSM is a leading provider of audit, tax and consulting services focused on the middle market.

RSM undertakes numerous compliance audits across a broad range of industries, and although we remain strongly committed to maintaining independence related to our audit clients, we welcome the proposed new and revised definitions and revisions to the *Client Affiliates and State and Local Government Client Affiliates* interpretations to clarify that those interpretations do not apply when performing a compliance audit or an engagement performed in accordance with Statements on Standards for Attestation Engagements (SSAE).

### ***Overall Application of the New and Revised Definitions and Revised Interpretations***

We believe the new and revised definitions and interpretations should only apply when a compliance audit is performed on a "stand-alone" basis, that is, the compliance auditor does not also audit the client's financial statements. The Exposure Draft indicates that compliance audits could encompass reports issued in accordance with AU-C sections 725, *Supplementary Information in Relation to the Financial Statements as a Whole*, 805, *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of Financial Statement*, 806, *Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements* or 935, *Compliance Audits*. However, AU-C sections 725, 805 and 806 all involve reporting on financial statements, supplementary financial information or compliance with contractual or regulatory requirements in connection with an audit of financial statements. Consequently, we do not understand how the independence requirements for the compliance audit could be bifurcated from the independence requirements for the financial statement audit and therefore that the relevant proposed changes would apply in those circumstances. We understand a compliance audit under AU-C section 935 or a compliance attestation under AT-C section 315, *Compliance Attestation*, could be performed by an auditor or accountant that does not audit the client's financial statements and therefore should be the focus of the new and revised definitions and revisions to the *Client Affiliates and State and Local Government Client Affiliates* interpretations.

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### ***Definition of Financial Statement Attest Client***

Accordingly, to reinforce the understanding we have noted above, we believe the proposed addition to the definition in proposed paragraph .18 of ET 0.400, *Definitions*, should be revised to include that “this definition does not include a compliance audit attest client that is not also a financial statement attest client” (also see comments on the definition of “compliance audit attest client” below).

### **Comments on Specific Aspects of the Proposal**

#### ***Definition of Compliance Audit***

a. *Is the definition of “compliance audit” clear? If not, please explain how it should be clarified.*

We recommend that the second sentence of the first paragraph be revised to read, “For example, the member may report on compliance under governmental audit requirements, such as the Uniform Guidance in accordance with AU-C section 935” (i.e., remove the reference to AU-C section 806 as explained above).

In the second paragraph of the definition, we also recommend that “attest engagement” not be included when using the term “compliance audit”:

“A ~~compliance audit attest engagement~~ may include multiple...”

#### ***Definition of Compliance Audit Attest Client***

b. *Is the definition of “compliance audit attest client” clear? If not, please explain how it should be clarified.*

We believe the definition should be revised to exclude entities that are also financial statement attest clients as follows: “An entity, other than a financial statement attest client, with respect to which a compliance audit is performed, unless ...” We also do not believe the final sentence should be included within the definition as a compliance audit attest client could also be financial statement attest client.

We recommend “clearly” precede “trivial” in order that it modify both trivial and inconsequential to be consistent with how similar concepts are articulated in other standards, and consequentially remove “clearly” that precedes inconsequential (i.e., would be articulated as “clearly trivial and inconsequential”).

#### ***Exception to Independence Requirements***

c. *Do you agree that there should be an exception to the independence requirements in a compliance audit for entities that are not subject to compliance audit procedures and report amounts that are trivial and clearly inconsequential? If you disagree, please explain why.*

We agree that there should be an exception to the independence requirements in a compliance audit for entities that are not subject to compliance audit procedures and report amounts that are trivial and clearly inconsequential (see our prior comment regarding the second condition (reports amounts that are trivial and clearly inconsequential)).

#### ***Applying the Affiliates Interpretation in a Compliance Audit***

d. *Do you agree that the affiliates interpretations should not apply in a compliance audit? If you disagree, please explain why.*

We agree that the affiliates interpretations should not apply to a compliance audit attest client that is not also a financial statement attest client.

**Applying Affiliates Interpretations to Specific Attest Engagements**

- e. *Do you agree that the revision in each of the affiliates interpretations serves as a useful reminder that these interpretations do not apply to specific attest engagements (e.g. compliance audits and engagements performed under the SSAEs)? If you disagree, please explain why.*

Since the existing interpretations apply to financial statement attest clients rather than financial statement audits, we believe the proposed additions in each of the affiliates interpretations should be revised to state, "This interpretation does not apply to a compliance audit attest client or ..."

**Entities Not Subject to Compliance Attestation Procedures**

- f. *Do you agree that entities that are not subject to compliance attestation procedures in an engagement performed under the SSAEs are not considered responsible parties and therefore are not subject to the "Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements" subtopic (ET section 1.297)? If you disagree, please explain why.*

We agree that entities that are not subject to compliance attestation procedures in an engagement performed under the SSAEs are not considered responsible parties and therefore not subject to the "Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements" subtopic (ET section 1.297).

**Proposed Effective Date**

- g. *Do you agree that the effective date provides adequate time to implement the proposals? If you disagree, please explain why.*

We agree that the proposed effective date for compliance audits commencing after June 15, 2023, will provide adequate time to implement the proposals and that early implementation should be allowed.

**Nonauthoritative Guidance**

- h. *What independence requirements applicable to compliance audits would you like further explained through nonauthoritative guidance?*

Examples of how to apply the Conceptual Framework for Independence to the new and revised definitions and revised interpretations in the circumstances described in paragraphs 41–44 of the Exposure Draft would be helpful. We find it difficult to understand how an entity responsible for compliance requirements would not be considered a compliance audit attest client.

We appreciate this opportunity to provide feedback on the Exposure Draft and would be pleased to respond to any questions you may have about our comments. Please direct any questions regarding this letter to Claire Blanton, National Director of Independence, Compliance and Ethics, at 704.206.7271.

Sincerely,

*RSM US LLP*

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