.05 Description of a data-gathering system

Inquiry — Paragraph .06 of the “Information Systems Services” interpretation (ET sec. 1.295.145) points out how to determine whether a nonattest service is related to a financial information system (FIS). Item (c) of that paragraph says that a service is related to an FIS if it “affects a data-gathering system, such as an analytical or reporting tool, that is used in management’s decision-making about matters that could significantly affect financial reporting.”

What is a data-gathering system?

Reply — A data-gathering system ingests data from one or multiple sources and performs certain functions or processes on that data, such as displaying information in a dashboard or performing analytical algorithms and producing outputs.

.06 Factors to help determine whether designing or developing a data-gathering system is related to a financial information system

Inquiry — What are examples of factors a member may consider in determining whether designing or developing a data-gathering system is related to a financial information system (FIS) in accordance with item (c) of paragraph .06 of the “Information Systems Services” interpretation (ET sec. 1.295.145)?

Reply — A member may consider whether a data-gathering system

- meets the discrete tool exception.
- feeds back into a financial reporting system altered data that is significant to the attest
generates data for client management to analyze and make a management decision.

For example, a member considers designing or developing, as defined in items (b) and (c) of paragraph .03 of the “Information Systems Services” interpretation (ET sec.1295.145), a dashboard for an attest client. The dashboard will provide alternative views of existing data from an attest client’s financial systems. Assume the dashboard does not feed the altered data into a financial reporting system, and the dashboard does not generate a specific action for client management to take but rather provides information for client management to consider. In this situation, a member may conclude that designing or developing the data-generating system is not related to an FIS.

However, if the dashboard feeds the altered data back into a financial reporting system or generates specific actions for client management to take, members should use their professional judgment and consider all relevant factors to determine if the nonattest service is related to an FIS. If the member determines that the nonattest service is related to an FIS, then independence would be impaired if the member designs or develops the dashboard.

As a reminder, for more information about the discrete tool exception, see item (a) of paragraph .03 of the “Information Systems Services” interpretation (ET sec. 1.295.145) and step 1 of the practice aid Independence considerations for information systems services for more information on the exception.

Client modifications to a tool designed or developed by a member

Inquiry — Paragraph .06 of the “Information Systems Services” interpretation (ET sec. 1.295.145) provides some factors for members to consider when determining whether a nonattest service is related to a financial information system (FIS).

Item (c) of that paragraph indicates that a service is related to an FIS if it “affects a data-gathering system, such as an analytical or reporting tool, that is used in management’s decision-making about matters that could significantly affect financial reporting.” Does the member need to anticipate whether the attest client’s management will modify a tool that the member designed or developed for the attest client, and as a result, the attest client will use the tool in its decision-making about matters that could significantly affect financial reporting?

Reply — During the independence evaluation for an engagement, the member has a responsibility to consider whether the information systems services are related to a tool that is considered an FIS in accordance with item (c) of paragraph .06. This evaluation does not need to predict whether the client will modify the tool the member designed or developed for the attest
client such that the attest client’s management will use the tool in its decision-making about matters that could significantly affect financial reporting.

.08 Cybersecurity services

Inquiry — Does the AICPA have ethics-related Q&As on cybersecurity services?

Reply — Yes. The AICPA has published the following nonauthoritative ethics Q&As regarding cybersecurity:

- Q&A section 205.01, “Accepting responsibility for design, development, or implementation of policies and procedures for cybersecurity threats and practices”
- Q&A section 217.01, “General training on cybersecurity issues”
- Q&A section 217.02, “General training on cybersecurity issues”
- Q&A section 217.03, “Advice and recommendations on improving cybersecurity practices”
- Q&A section 217.04, “Attack and penetration testing related to cybersecurity”

.09 Period of impairment for prohibited information system services

Inquiry — The member is engaged by a nonattest client to design and implement a financial information system (FIS) as defined in paragraph .03(a) of the “Information Systems Services” interpretation (ET sec. 1.295.145). In a subsequent period, the member is asked to perform an attest engagement.

Can the member consider the exception found in paragraph .03 of the “Scope and Applicability of Nonattest Services” interpretation (ET sec. 1.295.010) even if the FIS is still in use?

Reply — Yes, the member may still consider the exception in paragraph .03. The member should exercise professional judgment and consider all facts and circumstances of the specific situation when assessing whether the exception in paragraph .03. can be satisfied.

For example, if an FIS is implemented prior to the period covered by the financial statements and with sufficient time to produce financial information that will be audited by another firm, the exception in paragraph .03 is likely to be met. However, if an FIS is implemented after the start of the period covered by the financial statements, the exception in paragraph .03 is not likely to be met.

Refer to Q&A section 200.02 for an example of how to apply the exception found in paragraph
.03 of the “Scope and Applicability of Nonattest Services” interpretation (ET sec. 1.295.010).