



January 2023 Update of the AICPA Professional Literature

ALERTS AND AICPA GUIDES

The 2022 editions of the following AICPA Guides are being released:

Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information and Climate-Related Financial Disclosures) (aag-sust)

Many organizations now voluntarily disclose sustainability information as a result of increased stakeholder interest. According to the Governance & Accountability Institute, the number of S&P 500 companies that have published sustainability reports has increased each year over the past decade, reaching an all-time high of 92% in 2020. In addition, many new regulations around the world require both reporting and assurance of sustainability information.

This new authoritative Guide for Sustainability will assist CPAs with interpreting and applying the updated attestation standards when performing assertion-based examination (SSAE No. 21) or review (SSAE No. 22) engagements on sustainability information.

Highlights of this guide include:

- A new chapter on performing an assertion-based examination or review engagement on climate-related financial disclosures
- Revisions to reflect conforming changes necessary due to the issuance of SSAE No. 21 and SSAE No. 22.
- Expanded guidance on the use of specialists and other practitioners

The guide also includes guidance on certain matters not addressed in the updated attestation standards, including considerations regarding measurement uncertainty, consistency, and material misstatements in previously issued information.

For ease of use, the guide includes:

- Illustrative assertion-based examination and review procedures in a side-by-side format to help distinguish between them
- Illustrative representation letters and accountants' reports specific to the types of matters or situations that the practitioner might encounter in such engagements

Key Topics:

- Assertion-based examination and review engagements on sustainability information
- Assertion-based examination or review engagements of
 - climate-related financial disclosures and
 - greenhouse gas emissions information.
- Measurement uncertainty, consistency, and material misstatements in previously issued information
- The use of specialists and other practitioners

Risk Assessment in a Financial Statement Audit (aag-risk)

Understand how to fulfill your responsibilities for identifying and assessing risks of material misstatement in a financial statement audit. This guide particularly focuses on how to apply SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, to audits of financial

statements of less complex entities.

Although SAS No. 145 does not fundamentally change the key concepts underpinning audit risk, it does clarify and enhance certain aspects of the identification and assessment of the risks of material misstatement to drive better risk assessments and therefore enhance audit quality.

SAS No. 145 enhancements:

- Requirements and guidance related to the auditor's risk assessment, in particular, obtaining an understanding of the entity's system of internal control and assessing control risk
- Guidance that addresses the economic, technological, and regulatory aspects of the markets and environment in which entities and audit firms operate
- Revised requirements to evaluate the design of certain controls within the control activities component, including general IT controls, and to determine whether such controls have been implemented (D&I)
- New requirement to separately assess inherent risk and control risk
- A revised definition of significant risks
- New guidance on scalability
- New guidance on maintaining professional skepticism
- A new "stand-back" requirement intended to drive an evaluation of the completeness of the auditor's identification of significant classes of transactions, account balances, and disclosures
- Revised requirements relating to audit documentation
- A conforming amendment to perform substantive procedures for each relevant assertion of each significant class of transactions, account balance, and disclosure, regardless of the assessed level of control risk

Key Topics:

- Changes and revisions to AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, due to the issuance of SAS No. 145
- Risk assessment procedures and related activities
- Understanding the entity and its environment and the applicable financial reporting framework
- Understanding the components of the entity's system of internal control
- Identifying and assessing risks of material misstatement
- Inherent risk factors
- Significant risk

The following AICPA Guide contains minor editorial changes:

Investment Companies (aag-inv)

BEST PRACTICES IN PRESENTATION AND DISCLOSURE

No updates for January 2023.

MEASUREMENT CRITERIA

No updates for January 2023.

PCAOB STANDARDS AND RELATED RULES

No updates for January 2023.

PEER REVIEW PROGRAM MANUAL

No updates for January 2023.

PRACTICE AIDS AND TOOLS

The following practice aid is being updated:

Accounting for and Auditing of Digital Assets (pra-dia)

AICPA PROFESSIONAL STANDARDS

U.S. Auditing Standards – AICPA (Clarified) [AU-C]

This update revises AU-C appendix B, *Substantive Differences Between the International Standards on Auditing and Generally Accepted Auditing Standards*.

Code of Professional Conduct [ET]

This update also revises the following sections:

- ET section 0.600.010, “New and Revised Interpretations and Other Guidance”
- ET section 0.600.020, “Pending Interpretations and Other Guidance”
- ET section 1.295.145, “Information Systems Services”

Various Sections

This update also contains minor editorial changes to various sections.

TECHNICAL QUESTIONS AND ANSWERS

Ethics

This update adds Questions and Answer (Q&A) section 90, *Responding to Noncompliance With Laws and Regulations*.

Specialized Industry Problems

This update also revises Q&A section 6400, *Health Care Entities*, for conforming changes.

Various Sections

This update also contains minor editorial changes to various sections.

SUPPORTING DOCUMENT COLLECTION

No updates for January 2023.