

**AUDITING STANDARDS BOARD (ASB)**

**Meeting Highlights**

**May 14-17, 2018**

**Scottsdale, AZ**

**MEETING ATTENDANCE**

ASB Members

Mike Santay, *Chair*  
Monique Booker  
Jay Brodish  
Dora Burzenski  
Joseph Cascio  
Larry Gill  
Audrey Gramling  
Gaylen Hansen  
Tracy Harding  
Jan Herringer  
Ilene Kassman  
Kristen Kociolek  
Sara Lord  
Alan Long  
Rich Miller  
Dan Montgomery  
Steven Morrison  
Marcia Marien  
Jere Shawver  
Chad Singletary (by phone)

Observers and Guests

Denny Ard, *Dixon Hughes Goodman LLP*  
Sally Ann Bailey, *Deloitte & Touche LLP*  
Adam Barrow, *EY LLP*  
Michael Auerbach, *DOL*  
Jim Dalkin, *GAO*  
Bob Dohrer, *RSM International*  
Judy Goldberg, *EY LLP*  
Josie Hammond, *RSM US LLP (1/16-17)*  
Kathy Healy, *PwC LLP*  
Bridgette Gyorfi, *KPMG*  
Lynne McMennamin, *DOL*  
Darrel Schubert  
Laura Schuetze, *Grant Thornton*  
Cathy Schweigel, *CliftonLarsonAllen LLP*  
David Steimel, *EKS&H, LLLP*  
Mark Wells, *Thomson Reuters*  
Joseph Wolfe, *AON*

AICPA Staff

Linda Delahanty, *Audit & Attest Standards*  
Mike Glynn, *A&A Standards*  
Ahava Goldman, *A&A Standards*  
Hiram Hasty, *A&A Standards*  
Kristy Illuzzi, *CPEA (by phone)*  
Chuck Landes, *Professional Standards & Services*  
Teighlor March, *Assistant General Counsel*  
Andy Mrakovic, *A&A Standards*  
Judith Sherinsky, *A&A Standards*

**Chair's Report**

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Mr. Santay reported on recent meetings and conferences that he attended in his role as Chair. He welcomed the incoming members of the ASB— Monique Booker, Audrey Gramling, Jan Herringer, Kristen Kociolek, Sara Lord, and Marcia Marien.

Mr. Landes discussed his upcoming retirement in February 2019 and the announcement that Bob Dohrer, former ASB member and current IAASB member, will be filling the position as of October 2018. From October through his retirement, Mr. Landes will help facilitate Mr. Dohrer's transition into this new role, wrap up critical auditing, accounting and review projects currently under his leadership, and assist with the Center for Plain English Accounting.

The highlights of the January ASB meeting were approved with a vote of 11-3, with the six new members abstaining. Those who dissented believe, for the agenda item *Selected Procedures*, specifically regarding "Proposed New Standard Versus Integrating with AT-C section 215", that in order for the highlights to accurately reflect the ASB's direction, the sentence "The ASB agreed with revising AT-C section 215 to provide increased flexibility in the performance of and reporting on an agreed-upon procedures engagement" should be amended to append "while maintaining many of the extant requirements of agreed-upon procedures".

Mr. Hasty provided an update on IAASB projects.

### **1. Attestation Standards**

Mr. Ard and Ms. Schweigel led the ASB in discussion of a proposed SSAE that would supersede AT-C section 105, *Concepts Common to All Attestation Engagements*; AT-C section 205, *Examination Engagements*; AT-C section 210, *Review Engagements*; and AT-C section 215, *Agreed-Upon Procedures Engagements*. The proposed SSAE would enable practitioners to perform examination, review, and agreed-upon procedures engagements without having to request a written assertion from the responsible party, and to provide increased flexibility in the performance of and reporting on an agreed-upon procedures engagement. Ms. Schweigel and Mr. Ard are co-chairs of the Attestation Standards Task Force, which was formed after the January 2018 ASB meeting by combining the Selected Procedures and Direct Engagements Task Forces.

The proposed revisions to AT-C sections 105, 210, and 215 were developed with the support and input of the Accounting and Review Services Committee (ARSC). The proposed revisions to AT-C section 215 were developed by the ASB and the ARSC as a joint project. The ARSC met May 8-10, 2018 and discussed sections 105, 210, and 215. The ARSC agreed to defer its vote to ballot to issue the proposed standard for public exposure to the ASB with the expectation that the ASB would vote to expose during its meeting without substantive revisions to the draft presented as part of the ARSC and ASB May meeting agenda materials.

The ASB recommended that the following changes be made to the May 2018 drafts of AT-C sections 105, 205, and 210.

AT-C Section 105:

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- Delete from AT-C 105 and reinstate in AT-C 205 and AT-C 210 the definition of *appropriateness of evidence*. In AT-C 210 the term would be *appropriateness of review evidence*
- Delete from AT-C 105 and reinstate in AT-C 205 and AT-C 210 the definition of *sufficiency of evidence*. In AT-C 210 the term would be *sufficiency of review evidence*
- Delete the words “made by an appropriate party” from the definition of *assertion*
- Revise the definitions of *examination engagement* and *limited assurance engagement* to eliminate concepts that some ASB members believe are subjective and might not be consistently interpreted, for example, “a level of assurance that is, in the practitioner’s professional judgment meaningful.”
- Revise the definition of *responsible party* to clarify that a responsible party is a party other than the practitioner.
- In paragraph A8c, insert the word *may* before the word *involve*
- Move par. A19 so that it is linked to par. 25b
- Delete from the end of par. A36 the words “for example, when the practitioner has an interest in the subject matter.”
- To provide an example of a nonattest service, after the words “attest client” in par. A37, insert “for example, preparation of the subject matter.”

AT-C section 205:

- In paragraph A8 insert the word “develop” after the word “recommend.”
- In the last subparagraph of paragraph A10, change “an assertion is required” to “an assertion is obtained.”
- In paragraph 50f, change “whether the subject matter has been measured or evaluated against the criteria” to “whether a party other than the practitioner has measured or evaluated the subject matter against the criteria.”
- Add a reference to par. 47 in the heading above par. A68, “Requested Written Representations Not Provided or Not Reliable.”
- Change “similar” to “other” in the last subparagraph of paragraph A68.
- Change “responsible party” to “appropriate party(ies)” in par. .55.
- In par. A119, replace “the responsible party or, if different, the engaging party,” with “the appropriate party(ies).”

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AT-C section 210:

- Revise references to “evidence” so that it instead refers to “limited assurance evidence” so as to differentiate from evidence obtained in an examination engagement.
- Revise paragraph .A8 so that it refers to the practitioner being requested to “recommend, *develop*, or assist in the development of the criteria for the engagement.”
- Include the following as the last paragraph of paragraph .A10 so as to be consistent with the corresponding paragraph in AT-C section 205:

For engagements in which an assertion is obtained (for example, the assertion is required by law, regulation or contract, or the practitioner is reporting on management's assertion), or otherwise deemed necessary, the practitioner may include in the engagement letter the responsible party's acknowledgement that it will provide the practitioner with a written assertion.

- Revise paragraph .A25 so that the example procedures are listed in bullet-point format and juxtapose with the subsequent paragraph.
- Delete paragraph .18 but retain the sentence which reads “Analytical procedures may not be possible when the subject matter is qualitative, rather than quantitative” as application guidance.
- Move paragraph .A29 so that it appears before paragraph .A24.
- In the section “Determining Whether Other Procedures are Necessary in a Limited Assurance Engagement,” refer to “additional procedures as opposed to “other procedures.”
- With respect to the application guidance when requested written representations are not provided or not reliable, include guidance consistent with that included in the corresponding section in AT-C section 205.
- Revise paragraph .A84 so that the application regarding the summary of the work required to be included in the practitioner's limited assurance report refer to it being important that the summary not be “ambiguous” instead refer to the summary not being “vague.”

AT-C section 215:

- Include statements in paragraph .02 that “there may be circumstances in which the practitioner may want to obtain acknowledgement from parties in addition to the engaging party” and “there may be engagements in which the engaging party or other parties assume responsibility for the sufficiency of the procedures.” Further, separate paragraph .02 into 3 separate paragraphs to increase readability.

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- Retain the title “Preconditions for an Agreed-Upon Procedures Engagement” prior to paragraph .08 instead of the proposed “Independence” and reinstate certain elements from paragraph .10 of extant as follows:

**11** In order to establish that the preconditions for an agreed-upon procedures engagement are present, the practitioner should determine that the following conditions, in addition to the preconditions identified in section 105, are present:

- a. The practitioner determines that procedures can be designed, performed, and reported on to meet the intended purpose of the engagement.
  - b. Procedures to be applied to the subject matter will be expected to result in reasonably consistent findings using the criteria.
  - c. When applicable, the practitioner agrees to apply any materiality limits established by the engaging party for reporting purposes.
- Revise paragraph .A4 to read “The practitioner’s responsibilities may include recommending, *developing*, or assisting in developing the procedures to be performed.” Make similar revisions to paragraph .A10.
  - Retain paragraph .A10 from extant as is (is paragraph .A6 in revised AT-C section 215).
  - Delete the sentence from paragraph .13 that reads “The practitioner should use professional judgment determining whether the procedures are sufficiently precise and clear.”
  - Retain subparagraphs .14h - .14i from extant.
  - Include additional application guidance with respect to the requirement to agreeing upon the terms of the engagement, as follows (note: new paragraph .A13 was included as paragraph .A29 in the agenda draft and hung off the requirement for the practitioner to obtain a written acknowledgment from the engaging party that the procedures performed are appropriate for the intended purpose of the engagement):

**.A13** In addition to obtaining the required acknowledgment regarding the appropriateness of the procedures from the engaging party, the practitioner may also want other parties to acknowledge that the procedures performed are appropriate for their purposes. For example, the practitioner may decide to restrict the use of the practitioner’s report to certain specified parties and to obtain acknowledgement from those specified parties that the procedures performed are appropriate for their purposes. Additionally, if the engagement is related to a contract or regulation, the practitioner may want to confirm with the other parties to the contract or with the regulator that the procedures are appropriate for their

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purposes. Nothing precludes the practitioner and engaging party from agreeing to the type of communication or acknowledgment to be used and who would make the communication. However, if the practitioner intends to communicate directly with a party other than the engaging party, the rules regarding confidential information as set forth in the AICPA Code of Professional Conduct may apply.

**.A14** If the procedures are prescribed or otherwise developed by parties other than the practitioner, the agreed-upon terms of the engagement may include the procedures to be performed.

**.A15** The agreed-upon terms of the engagement may include that other parties acknowledge that they assume responsibility for the sufficiency of the procedures and the identification of such parties.

- Include the following application paragraph to hang off of the requirement that the practitioner report all findings from the application of procedures and the requirement that if the practitioner determines that the description of the procedures performed or the corresponding findings, in the practitioner's professional judgment, are misleading in the circumstances of the engagement, the practitioner should discuss the matter with the engaging party and take appropriate action:

**A43** Findings may be misleading, for example, if the responsible party revises the subject matter as a result of initial findings from procedures performed and the findings to be expressed in the report do not indicate that the subject matter was changed. In such instances, the findings may indicate that the subject matter was revised as a result of initial findings from the procedures performed and that there are no findings with respect to the revised subject matter.

- With respect to written representations retain the requirement from extant that the representations should state that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed in the written assertion and the date of the practitioner's report. Include a separate requirement for the representations to include any additional representations that the practitioner determines are appropriate.
  - Delete the following sentence from the application guidance with respect to the reporting requirement regarding acknowledgement for the appropriateness of the procedures "However unless the practitioner takes responsibility for the appropriateness of the procedures performed, it is not appropriate to imply that the practitioner takes such responsibility as doing so may be misleading to potential users of the practitioner's agreed-upon procedures report."
- Include the following application paragraph off the reporting requirement regarding describing the engagement:

**.A49** If the nature of the engagement is such that either the engaging party or other parties accepts responsibility for the sufficiency of the procedures, the report may identify those parties and include a statement that the sufficiency of the procedures is solely the responsibility of such parties and that the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the practitioner's report has been requested or for any other purpose.

- Delete the section entitled "Consideration of Subsequent Events."
- With respect to the documentation requirements, revert to the extant requirement to document "who reviewed the *engagement work* performed and the date and extent of such review." The italicized wording had been replaced with "agreed-upon procedures."
- Include an additional illustrative report that shows how a report could be presented when the engagement is required by contract and the engaging party and the other parties to the contract agree to the sufficiency of the procedures for the intended purpose of the engagement and the practitioner does not have the ability to perform or design additional procedures.

The ASB voted to ballot for issuance a proposed SSAE that would supersede AT-C sections 105, 210, and 215 with revised sections. Fifteen members voted to ballot the proposed SSAE for issuance and five members dissented. The dissenting members were Jay Brodish, Dora Burzenski, Joe Cascio, Ilene Kassman, and Steve Morrison. Their reasons for dissenting are included in the appendix to these highlights.

The exposure draft is expected to be issued at the end of June, with a three-month comment period.

## **2. Audit Evidence**

Mr. Dohrer, chair of the Audit Evidence Task Force, led a discussion of the Audit Evidence agenda material. He explained that the objective of the Task Force's deliberations so far was to assess whether revisions to AU-C section 500, *Audit Evidence*, are appropriate to address the evolving nature of audit services.

The ASB was presented with an Issues Paper that provided an overview of the preliminary issues identified by Task Force. These preliminary issues were: 1) modernization of definitions, 2) classification of audit procedures, 3) key attributes of high quality audit evidence, and 4) changing the focus of the auditor's judgement about the sufficiency and appropriateness of audit evidence from being based primarily on the audit procedures performed to obtain the audit evidence to a focus based on underlying attributes contributing to high quality audit evidence, including the nature of audit procedures performed, in making the auditor's judgement about the sufficiency and appropriateness of audit evidence.

With respect to the changing the focus of the standard, the Task Force has been exploring development of attributes of high quality audit evidence that could form a better basis for assessing whether sufficient appropriate audit evidence has been obtained, especially in considering how the nature of audit evidence is changing rapidly with the proliferation of the use of emerging technologies and techniques. Along with the changing nature of audit evidence, the Task Force is also considering how the auditor can best exercise professional skepticism when considering the appropriateness of audit evidence.

The ASB provided feedback to the Task Force on the issues. With respect to the issue of changing the focus of AU-C 500, the ASB agreed with the Task Force that the framework being suggested by the Task Force would provide helpful application material and should complement the procedures-based approach in extant AU-C 500.

After discussion, the ASB agreed that revisions to AU-C 500 are necessary and that the Task Force should continue exploring the issues identified.

### **3. Auditor Reporting: ERISA**

Mr. Schubert led the ASB in a discussion of agenda item 2 relating to reporting on ERISA plan financial statements. The objective of this agenda item was to review revisions to the exposure draft of the proposed SAS *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*, based on comments received and the ASB feedback from prior ASB meetings.

Issue for Consideration #1 — *Required Procedures When an ERISA-Permitted Scope Limitation is Imposed*

[Paragraphs 22-24 and A41-A50 of the proposed SAS (Agenda Item 2A)]

The discussion memorandum asked the ASB to review paragraphs 22-24 (and related application material) relating to procedures for an ERISA section 103(a)(3)(C) audit and provide the task force with feedback. In particular the ASB was asked whether they believe the auditor should not perform any audit procedures relating to disclosure of the certified investment information (removal of paragraph 20d from the exposure draft).

The ASB discussed the need for the auditor to perform procedures to understand how management determined that the entity preparing and certifying the investment information is a qualified institution and asked the task force to revise the requirement in paragraph 12 of the proposed SAS to better reflect the auditor's responsibility for the precondition for the audit.

The ASB discussed both the divergence in practice as to how the current guidance in the AAG is applied, and differing views as to what assertions are addressed by the certified investment information. In consideration of the views expressed, the ASB directed the task force to add a requirement for the auditor to perform procedures relating to the certified investment information disclosed in the notes to the financial statements.

Issue for Consideration #2 —*The Form and Content of the Auditor’s Report on ERISA Plan Financial Statements with the ERISA-Permitted Audit Scope Limitation*

[Paragraphs 84-111 and A113-A120; Illustrations 3-6 of the proposed SAS (Agenda Item 2A)]

The ASB discussed the draft form of ERISA section 103(a)(3)(C) report and provided the task force with the following feedback:

- The ASB asked the task force to reverse the order of the paragraphs in “Nature of the ERISA Section 103(a)(3)(C) Audit” and provided the task force with offline suggestions for editorial revisions
- The ASB discussed “Management’s Responsibility for the Financial Statements” section and directed the task force to move certain of management’s responsibilities for the certified investment information from the requirements to application material.
- The ASB asked the task force to include application material to clarify that the engagement should be performed based on materiality for the financial statements as a whole, and to consider better placement of “in all material respects” in the opinion section.
- The ASB asked the task force to consider reporting on the ERISA-required supplemental schedules as part of the auditor’s report (similar to the PCAOB model) rather than as supplemental information.
- The ASB asked the task force to include in the circumstances to Illustration 4 that the reason for the qualification did not affect the supplemental schedules and therefore the auditor was able to provide an opinion on the supplemental schedules.
- The ASB supported the interplay between the proposed SAS and AU-C section 705.

Issue for Consideration #3 —*Certain Requirements for Audits of ERISA Plan Financial Statements and Related Required Report on Specific Plan Provisions Relating to the Financial Statements*

[Paragraphs 14-21 and A13-A40 of the proposed SAS (Agenda Item 2A)]

The proposed SAS presented a new section entitled “Audit Risk Assessment and Response in an Audit of ERISA Plan Financial Statements” that presented a risk-based approach to address the auditor’s responsibilities for testing of plan provisions.

The ASB provided the task force with the following feedback:

- The ASB generally supported the new risk-based approach to testing of plan provisions.
- The ASB directed the task force to move the application material relating to the testing of plan provisions in paragraph A22 into an appendix to the standard.
- The ASB directed the task force to include a requirement relating to the plan tax status to correspond with the related application material in paragraphs A23-A26.
- The ASB directed the task force to include a requirement in the proposed SAS for the auditor to document and communicate to those charged with governance when the auditor has not tested plan provisions.

The ASB is expected to vote to ballot the proposed standard for issuance as a final standard at its July meeting.

#### 4. Auditor Reporting: 800 Series

Mr. Montgomery led a discussion relating to the proposed revisions to AU-C section 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*, to (1) reflect changes to the auditor’s report included in the November 2017 ASB exposure draft (ED) *Auditor Reporting*, and (2) introduce the concept of a compliance framework, which is included in ISA 800 (Revised) *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*.

Mr. Montgomery presented issues related to the applicability of AU-C section 570, *The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern*, to audits of financial statements prepared in accordance with a special purpose framework, and audits of single financial statements, specific elements, accounts, or items of a financial statement. AU-C 570 (SAS 132) states that special purpose financial statements may or may not be prepared in accordance with an applicable financial reporting framework for which the going concern basis of accounting is relevant.

With regard to the applicability of AU-C 570 to special purpose financial statements, the ASB directed the Auditor Reporting Task Force (task force) to

- increase the prominence of the information in AU-C section 800 about the applicability of AU-C section 570 to audits of special purpose financial statements. That information is currently in paragraph A14<sup>1</sup> of AU-C section 800, which states that, irrespective of whether the going concern basis of accounting is relevant to the preparation of the special purpose financial statements, the requirements in AU-C section 570 for the auditor to (1) conclude on whether substantial doubt exists about the entity’s ability to continue as a going concern and (2) evaluate the possible financial statement effects, including the adequacy of disclosure regarding the entity’s ability to continue as a going concern for a reasonable period of time, apply.
- determine the best placement for this information within AU-C section 800, for example, in the introduction.
- more explicitly state that when the going concern basis of accounting is not relevant, the auditor is not required to obtain evidence about and conclude on whether management’s use of the going concern basis of accounting is appropriate
- consider clarifying the meaning of the word “relevant” in the phrase “whether the going concern basis of accounting is relevant.”

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<sup>1</sup> Paragraph A14 was added to AU-C 800 as a conforming amendment resulting from the issuance of SAS No. 132

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- consider whether information about substantial doubt is meaningful in audits of all special financial statements, for example, in audits of financial statements prepared in accordance with a contractual basis of accounting where all the parties to the contract are very focused on compliance with provisions of the contract and may not be concerned with going concern or other financial reporting matters.

Under the revised requirements of AU-C section 700 (Revised) in the ED *Auditor Reporting*, the auditor would be required to include a statement in the auditor's report describing the auditor's responsibility to conclude on the entity's ability to continue as a going concern and on the appropriateness of management's use of the going concern basis of accounting. With regard to the applicability of that proposed requirement to audits of special purpose financial statements, the ASB suggested that the task force

- consider requiring the auditor to include in the auditor's report a statement about the auditor's responsibility to conclude on the appropriateness of management's use of the going concern basis of accounting only if the going concern basis of accounting is relevant to the special purpose framework, and if it is not relevant, requiring the auditor to include an additional statement in the report indicating that the auditor has not evaluated or concluded on whether management's use of the going concern basis of accounting is appropriate.
- obtain input from insurance and government regulators regarding the importance of information in the auditor's report about substantial doubt to their use of the auditor's report.

With regard to the applicability of AU-C section 570 to audits of single financial statements, specific elements, accounts, or items of a financial statement, ASB members commented that

- AU-C section 570 generally should be applicable to single financial statements.
- the auditor should be allowed to use judgment in determining the applicability of AU-C section 570 to audits of elements, accounts, or items of a financial statement. For example, it may be very difficult for the auditor to conclude on whether substantial doubt exists based on information gleaned from such audits; however, if the auditor has previously audited a complete set of the entity's financial statements, the auditor would have knowledge about matters that gave rise to substantial doubt if such matters had been identified in that audit.
- an important consideration in making a determination about the applicability of AU-C section 570 to audits of elements, accounts, or items of a financial statement, is the expectations of users of the auditor's report.

The ASB discussed portions of a draft of proposed AU-C section 800 that had been revised to introduce the concept of a compliance framework. ASB members commented that

- although the draft proposes to delete the extant requirement for the auditor to restrict the use of the auditor's report on special purpose financial statements prepared in accordance with the contractual or regulatory basis of accounting, the restriction on use of the

auditor's report on financial statements prepared in accordance with a contractual basis of accounting may need to be retained because such a report is intended for a small number of users who are a party to the contract.

- consider whether the statement “the financial statements may not be suitable for another purpose” in the emphasis of matter paragraph of the report should be required only in reports on financial statements prepared in accordance with a compliance framework.

## **5. Estimates**

Mr. Montgomery presented an update on the IAASB project to revise ISA 540.

## **6. Risk Assessment**

Mr. Harding presented an update on the IAASB project to revise ISA 315.

## **APPENDIX – Dissents to the Issuance of Attestation Standards Exposure Draft**

### **Jay Brodish**

Reasons for dissent to exposure of the proposed Statement on Standards for Attestation Engagements:

I have been supportive of updating the attestation standards to overcome potential limitations and practical challenges, in particular in relation to Agreed-Upon Procedures (“AUP”) engagements. I also understand and appreciate the ASB’s objective of enabling practitioners to provide attestation services when there is market demand for them. However, I am concerned the proposed changes to AT-C-215, *Agreed-Upon Procedures Engagements*, go beyond what is necessary to alleviate the practical challenges and could cause confusion among practitioners and users of AUP reports.

The current AUP standard has a long history of being successfully used by practitioners and changes to clarify it came into effect as recently as 2017. In addition, the responses to the September 2017 proposed new standard, *Selected Procedures*, made it clear that there was limited support to change the nature of an existing AUP engagement, but that stakeholders encouraged improvements to the ASB’s existing standards to allow a service to be provided where it cannot be provided today (e.g., to allow an engagement where only the engaging party agrees to the procedures, as well as permitting a general use report). While changes could be helpful to introduce such flexibility, the proposed amendments are too extensive and eliminate a number of important elements that are still relevant to practitioners’ considerations of whether and how to undertake an AUP engagement. This is the primary basis for my dissent on the Exposure Draft.

An AUP engagement is a valued, well-understood and widely used service that is often requested by regulators or as part of contractual arrangements. I am concerned that due to the extent of the proposed changes to AT-C-215, the marketplace will be confused by reference to an “Agreed-Upon Procedures engagement” when the nature of the engagement has fundamentally changed.

I believe the proposed standard should establish an explicit framework to help practitioners consider how to design and conduct an AUP engagement, including how to think about which parameters would be appropriate in the circumstances. Doing so will assist practitioners in considering, for example, whether it is necessary for all parties to the engagement to agree to the sufficiency of the procedures and what the implications are for the practitioner’s report for that engagement. In particular, it is important for the proposed standard to set out reporting requirements and illustrative examples that clearly outline the nature of the engagement that was undertaken in the circumstances, so it is clear when the engagement is more akin to a traditional AUP and when it is not. It is important that users of a report have transparency about whether or

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not the parties to the engagement have agreed to the procedures and take responsibility for their sufficiency.

Finally, I recommend the ASB (or the Attestation Standards Task Force) undertake specific outreach to users of AUP reports to more fully understand the potential consequences of moving ahead with its proposal as currently drafted.

**Dora Burzenski**

My reasons for dissenting to exposure of the proposed Statement on Standards for Attestation Engagements, *Revisions to Statement on Standards for Attestation Engagements No. 18*, Attestation Standards: Clarification and Recodification (the “exposure draft”), are as follows:

- I fully support exploring the development of standards that nurture or support potential new market opportunities. However, in making amendments to the clarified attestation standards to achieve this goal, the changes proposed no longer explicitly support the long-standing principles underlying attestation engagements, which have been the basis for attestation engagements for many years and are widely known and understood by users. For example:
  - The lack of clarity as to the different types of engagements being offered and the related impact on the work effort results in opaque and potentially misleading reporting, whereby the user of the attestation reports cannot readily understand the procedures that were performed or what evidence was obtained by the practitioner in support of the conclusions or findings included in the report.
  - The impact that the proposed changes will have on what the user understands to be traditional examination, review and agreed-upon procedures engagements has not been fully explored through formalized outreach. It’s not clear that stakeholders will understand the significance of the changes, and there is a risk that stakeholders will fail to comment on the exposure draft, or will comment without the necessary appreciation of the far-reaching consequences of the proposed changes. There is a long-standing acceptance in the market-place as to what an attestation engagement is and what it represents; the proposed changes to the clarified attestation standards up-ends that historical understanding and it is unclear as to whether users of attestation reports fully comprehend the impact these proposed changes will have on existing attestation engagements.
  - Many entities issue assertion-based reports or statements. In related attestation engagements, obtaining a written assertion from management is critical when determining whether sufficient appropriate evidence has been obtained in order to provide a reasonable basis for the practitioner’s opinion. To eliminate from the exposure draft substantially all the requirements that address the concepts of what to do when the engagement is assertion-based, as well as introducing the notion that in such instances a written assertion is no longer considered necessary, will result in confusion between the responsibilities of management and the practitioner as it relates to the assertion, and inconsistencies in practice.
- The integrity of traditional agreed-upon procedures engagements is at risk by the changes proposed in this exposure draft, as an agreed-upon procedures engagement performed under the existing standards would not be readily distinguishable from an engagement performed using the requirements of the exposure draft. There is an active current market in this area and practitioners, engaging entities and report users alike are familiar and practiced in the application of AT-C section 215, *Agreed-Upon Procedures Engagements* (AT-C 215). The responses to the September 2017 Proposed Statement on Standards for Attestation Engagements, *Selected Procedures* Exposure Draft supported a separate

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standard for “selected procedures engagements”; they did not support re-purposing AT-C 215 to be a selected procedures standard. The proposed changes to AT-C 215 result in a weakening of the principles that underlie a frequently used and well-known engagement, to the detriment of all. Developing new standards to address emerging services, while preserving the integrity of existing standards, would be a solution to this concern.

- There are concerns related to independence that have not been fully resolved, including concerns related to how changes to the attestation standards interact with the *AICPA Code of Professional Conduct* (the Code), and whether the Code fully contemplates the types of services being envisioned by the proposed standard and the independence required of the practitioner necessary to perform such services (e.g., new services may pose threats to the appearance of independence)

I believe that to expose the draft standard with the issues noted above is not in the public interest and does a disservice to the AICPA’s mission. The ASB should resolve the differences above prior to exposure for public comment. I do not believe that due process has been followed.

My hope is that a high-quality and objective standard is developed and will be something the entire Board can be proud of in that it will enhance the performance and quality of all attestation engagements, result in deliverables that are clearly understood and valued by users, and serves the public interest.

**Joe Cascio**

As discussed further below, I am dissenting to the exposure of the proposed statement on standards for attestation engagements because the Attestation Task Force has not presented compelling reasons to support the proposed changes at this time. As noted in the background section of the proposed SSAE, the international standards were considered at the time the clarified attestation standards were being deliberated and issued as final in 2016. In the absence of a post-implementation review of the clarified standards, or changes demanded by the market, I see no reason to propose reversing the decisions of the previous Board. I also disagree with the proposed changes to AT-C 215. The proposed revisions could have unintended consequences for stakeholders and are contrary to the recommendations of most respondents to the Accounting Review Services Committee's (ARSC) recent related proposal on selected procedures engagements.

**Changes to AT-C 105, 205 and 210**

The background to this proposal notes that one reason for the proposed changes is to further converge the attestation standards with ISAE 3000 (Revised). When the attestation standards were clarified by the ASB in 2016, the foundation for AT-C 105, 205, and 210 was the IAASB's ISAE 3000 and ISAE 3410. Many of the paragraphs in the extant AT-C sections were converged with the related paragraphs in the ISAE 3000. However, the ASB considered and rejected certain aspects of ISAE 3000 at that time, for example, allowing the practitioner to perform an examination or review engagement without having to request a written assertion from the responsible party. It's been only a year since the clarified standards became effective and there's been no post-implementation review to justify the proposed changes, including all of the training and updates to firm policies and practices that practitioners would need to implement if the proposed standard is finalized as exposed.

Some proponents of this proposed SSAE's amendments to the examination and review standards believe it's important because it provides practitioners with greater flexibility to serve clients who are unable, or do not have the competencies, to measure or evaluate specified subject matter against criteria. Under current standards, measuring or evaluating the subject matter is the responsibility of the responsible party (i.e., someone other than the practitioner) and supported by that party's assertion(s). In a direct engagement, the measuring/evaluating steps may be the responsibility of the practitioner or a combination of the responsible party and the practitioner.

**Ilene Kassman**

Dissent to Exposure

The Board set out to amend the attestation standards to provide practitioners greater flexibility, particularly regarding the practitioner's ability to measure the subject matter against criteria without requiring management to do so first. While I support the project objective, I am dissenting to the public exposure of the proposed amendments at this time. I believe that the Board should further deliberate the following areas prior to exposure:

- Issues arising from convergence with ISAE 300
- Foundational requirements for AUP engagements
- Practice challenges

Not resolving the areas will result in lower quality standards which is contrary to the Board's mission and objective to provide attestation standards that inspire public trust, harmonize with international standards, and respond timely to the need for guidance and communicating it clearly to practitioners. Consideration of practice challenges during the evaluation of the comments letters is not fair to or in the best interest of the practitioners if the issues are not debated in public meetings. The areas of concern supporting my dissent follow.

*Issues arising from convergence with ISAE 3000*

In my view, the Board has not adequately debated the taskforce's recommendations as to which aspects of ISAE 3000 are not being harmonized at this time, and other changes that aren't harmonized enough. This will cause confusion for practitioners. Additionally, certain changes made to conform to ISAE 3000 have broader impacts within these proposed amendments and to other standards that the Board has not fully deliberated. Specific examples of this are:

- *Change of term "review" to "limited assurance"*. This Board and ARSC have not fully deliberated whether conforming amendments to other AICPA standards (e.g., interim review and SSARS) are necessary to avoid practitioner and public confusion in this market as a result this change. The new term will likely create confusion in the US market as this is different than the PCAOB standards for both interim reviews and attestation.
- *Roles of parties to the engagement*. In the current attestation standards, the roles of engaging party, responsible party and specified users are defined as they are because, in many circumstances, the role dictates specific requirements. I do not fundamentally object to the use of "appropriate party" as a drafting convention to harmonize with ISAE 3000. However, the extent of changes to eliminate reference to specific roles, including changes to requirements such as obtaining representations from the responsible party have diluted the concept of a responsible party. For example, in proposed amendments, it is practitioner

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judgment as to the appropriate party from whom to request a representation letter. If the engaging party is not the responsible party, there are no longer clear requirements as to when it is appropriate for the responsible party to not provide a written representation. Proposed application guidance states that if a responsible party is required by law or regulation to have an attest engagement performed or the responsible doesn't agree with having an attest engagement performed then it would be acceptable for the responsible party to not provide a written representation. This guidance fundamentally seems to contradict the importance of identifying a "responsible party", even more so as it is a fundamental principle of independence.

- *Independence.* There are unresolved questions regarding the sufficiency of guidance regarding safeguards of threats to independence when the practitioner is also assisting with or developing the criteria, subject matter or is the measurer of the subject matter against the criteria. While the Board is not responsible for the independence standards, the various standard setting bodies within the AICPA should appear to be working in coordination for the best interests of the practitioners. Practitioners should have clear guidance on what activities specifically allowed within the proposed amendments could impair their independence for audits. Moreover, ISAE 3000 requires that the measurer/preparer be identified in the report for transparency as to how the practitioner was involved with the subject matter so users may consider objectivity. This requirement from ISAE 3000 was not adequately debated, either in the debate on harmonization or in relation to the discussion on independence.

*Foundational requirements for AUP engagements*

Conceptually, I agree with an overarching project objective to amend AUP standard to modernize requirements to allow for the fluid nature of procedures and to permit not restricting the use of the report in certain circumstances. I am dissenting because I believe many of the current attestation foundational requirements should be retained as requirements, with clear wording that tell the practitioner when the requirement was necessary. The proposed amendments moved these requirements to application guidance indicating that the practitioner could choose to do them. It is always has been true that a practitioner could do more than the requirements, requirements are designed to be those that are necessary to achieve the objectives of the standards and protect the public interest. I do not believe that the Board has spent adequate time deliberating changes to areas that were considered important enough to be made or retained as requirements during the recent clarification project.

*Other matters not fully discussed could result in further amendments*

In my view, the Board did not adequately debate other practice challenges that often arise from applying the extant AUP standards that may have resulted in further proposed amendments if further explored. For example, we briefly discussed but did not conclude on:

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- Whether more specific guidance or examples on the identification of the responsible party for the subject matter was needed;
- Whether it is potentially misleading to perform agreed-upon procedures on draft material that subsequently are revised by management without the practitioner/management specifically disclosing that earlier versions of reports or schedules existed; and
- Whether clarification was needed to assist a practitioner in determining when an engagement is required to be performed in accordance with AT-C 315.

**Steve Morrison**

Mr. Morrison dissented from the issuance of this exposure draft because he believes the exposure draft, particularly the AT-C 215 portion, has not been sufficiently refined. He believes in its current form, the exposure draft will be overwhelmingly burdensome and confusing to practitioners, engaging parties and users. Such confusion can lower quality, cause market confusion, and not be in the public interest. Mr. Morrison believes further deliberation on certain points, and possible refinement of AT-C 215 in particular, could lead to a more workable standard that, then, may be ready for exposure.