



AUDITING STANDARDS BOARD (ASB)

Meeting Highlights

January 25-27, 2022

Videoconference

MEETING ATTENDANCE

ASB Members

Tracy Harding, *Chair*
Brad Ames
Maxene Bardwell
Patricia Bottomly
Samantha Bowling
Sherry Chesser
Harry Cohen
Jeanne Dee
Horace Emery
Diane Hardesty
Robert Harris
Kathy Healy
Jon Heath (1/27 only)
Clay Huffman
Greg Jenkins
Maria Manasses
Andrew Prather
Tania Sergott

AICPA Staff

Jennifer Burns, *Chief Auditor*
Linda Delahanty, *Senior Technical Manager—A&A Standards*
Mike Glynn, *Senior Technical Manager—A&A Standards*
Ahava Goldman, *Associate Director—A&A Standards*
Judith Sherinsky, *Senior Technical Manager—A&A Standards*
Teighlor March, *Asst. General Counsel—General Counsel & Trial Board*
Andy Mrakovcic, *Technical Manager— A&A Standards*
Brian Wilson, *Director—A&A Standards*

Guests

Dora Burzenski, *Deloitte*
Jim Dalkin, *GAO*
Sara Lord, *RSM*
Laura Schuetze, *GT*
Wendy Stevens, *Mazars*
Beth Anguish, *BDO*

Absent

Chris Rogers

1. Chair/IAASB/AICPA Update

Mr. Harding provided an update of recent activities to the ASB. The ASB approved the highlights of the October and December 2021 meetings.

Ms. Stevens presented an update on recent IAASB activity and current projects.

2. Group Audits

Ms. Burzenski led the ASB through a discussion of a draft of the proposed SAS *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors)* (proposed SAS). The proposed SAS is based on the draft of International Standard on Auditing (ISA) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* that was discussed and approved at the December 2021 International Auditing and Assurance Standards Board's (IAASB) meeting.

The ASB was supportive of the Task Force position on the issues raised in the agenda material:

- *Issue 1*, no longer using phrase “assuming responsibility” and instead using “being involved in the work of”.
- *Issue 2*, the definition of “referred-to auditor” and an explicit statement that the referred-to auditor is not a member of the engagement team. The ASB requested that additional language be added to emphasize that (1) a referred-to auditor is not a component auditor and is not a part of the engagement team and (2) the terms *component auditor* and *engagement team* do not include referred-to auditors.
- *Issue 3*, the requirements relating to referred-to auditor

Significant matters raised during the discussion of the draft included the following:

- Whether to retain the objective related to making reference to the audit of a referred-to auditor
- The placement of paragraphs 49 and 50 discussing subsequent events
- Whether to delete the words “material misstatement” from par. 62cM to conform with the definition of *significant risk* in SAS No. 145.
- Revisions relating to considerations specific to governmental entities
- Not putting application material relating to component auditors and to referred-to auditors in the same paragraphs

A revised draft will be brought to the ASB at its March 9, 2022 meeting for a vote to issue the proposed standard for exposure.

3. AU-C 935

Ms. Manasses led the ASB in a discussion of proposed Statement on Auditing Standards (SAS) *Amendments to AU-C Section 935*, with the objective of voting to issue the proposed SAS as an exposure draft.

Significant revisions made to the draft proposed standard prior to voting were as follows:

- Paragraph 2 (of AU-C section 935), added reference to an audit of a single financial statement or an audit of a specific element, account, or item of a financial statement
- Moved, revising as necessary, proposed new paragraph A15 to become new paragraph 16
- Paragraph A13, added “The auditor is also responsible for evaluating the audit evidence obtained from the risk assessment procedures and, as applicable, revising the identification or assessment of risks of material noncompliance.”
- Added a footnote explaining the effective dates to the Appendix

The ASB voted unanimously to issue the proposed SAS as an exposure draft, with a comment period ending on May 15, 2022 (which is a Sunday, and as a result the comment period will end on May 16th).

4. Quality Management

The ASB discussed the *Proposed Quality Management Standards*, which includes three interrelated proposed standards:

- Proposed Statement on Quality Management Standards (SQMS) *A Firm’s System of Quality Management*
- Proposed SQMS *Engagement Quality Reviews*
- Proposed Statement on Auditing Standards (SAS) *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards*

The ASB reviewed and revised proposed wording relating to self-inspection, cooling-off period for engagement quality reviewers, and dating of the engagement report when an engagement quality review is performed. The revised wording had been drafted in response to the ASB’s direction at its October 2021 meeting. The ASB directed the Task Forces to make additional editorial changes.

The ASB also discussed the effective date of the proposed standards, and agreed with the Quality Management Task Force's recommendation of an effective date of December 15, 2025. This effective date is later than that originally proposed, to allow firms to have sufficient time to implement the standards. This date will allow all firms to undergo at least one peer review between the issuance of the standards and their effective date.

The proposed standards will be brought to the ASB at its May 2022 meeting for a vote to issue as final standards.

5. Executive Session

The ASB met in Executive Session.

[For OnBoard Highlights only]

The ASB discussed the following topics in executive session:

A. Audits of Less Complex Entities:

The ASB praised the efforts of the Task Force and staff, and had no substantive changes to the proposed letter.

B. Strategy

Mr. Harding and Ms. Burns presented the following:

- A progress report on the ASB's strategic plan
- An update on the ASB's 2021-2022 work plan
- Results of the ASB's evaluations

Significant suggestions made by ASB members included the following:

- Better communication of the outreach efforts of the ASB, what we do and what we are trying to accomplish
- Messaging should include what the AICPA is doing to help small firms and that standard-setting is not necessarily the only, or best, approach to address practice issues
- Accelerate outreach when the IAASB standards are in exposure
- Influence the IAASB before a proposed standard is exposed for maximum impact
- A comparison of the ISAEs and the SSAEs, like AU-C Appendix B for the ISAs and GAAS, would be helpful
- Include in ASB orientation materials a relationship map, such as ASB relationship with Guides, Expert Panels, and ASEC.
- Annual Educational sessions on technology for ASB members
- Presentation to ASB by Barry Melancon or Sue Coffey
- Establish a closer relationship with Peer Review and have ASB provide input on non-compliant engagement characteristics
- Establish a closer relationship with other national standard-setters
- Add due dates, such as for Guide reviews and AITF approvals, to OnBoard calendar

The ASB did not believe it necessary to amend the strategic plan, and agreed that key risks and challenges in executing the plan had been defined and addressed. The ASB discussed measures to track progress against the strategic plan. The ASB directed staff to determine what to measure, what the targets are, and how to automate the measuring, so as to avoid the measuring becoming burdensome. The ASB also discussed communication. Ideas discussed included 5-10 minute podcasts that could be used for "nano-learning" CPE, talking points for ASB members to use in presentations, and recording evergreen topics that could be posted on OnBoard (for example, the legal update session).