

Agenda Item 2



Selected Procedures

Objective of Agenda Item

To review and obtain feedback from the ARSC on issues related to and a revised draft of a proposed standard dealing with engagements to perform selected procedures.

Background

The Selected Procedures Task Force consists of the following members:

Denny Ard (Task Force Chair) – Member of the ARSC
Jeremy Dillard – Member of the ARSC
Marne Doman – PricewaterhouseCoopers LLP
Dan Hevia – Member of the ASB
David Johnson – Member of the ARSC
Michael Manspeaker – Member of the AICPA’s Technical Issues Committee
Paul Penler – Ernst & Young LLP
Chad Singletary – Member of the ASB

The Task Force is staffed by Mike Glynn. The Chairs of the ARSC and ASB (Mike Fleming and Mike Santay, respectively) and the Chair of the Direct Engagements Task Force (Cathy Schweigel) have observer rights to the Task Force meetings.

The Task Force was charged by the ARSC and the ASB to develop a standard that would result in a new service in which CPAs would perform procedures and report on the results of those procedures – without being required to request or obtain an assertion from the engaging party or restrict the use of the report. The project is a joint effort of the ARSC and the ASB.

The Task Force has been given the following directives in the development of the proposed standard:

- The standard is to be engagement driven
- No assertion is required to be requested or obtained
- The report would present procedures and related findings without expression of an opinion, a conclusion, or any form of assurance on the subject matter
- There would be no requirement to restrict the use of the report
- The standard is to be silent regarding any party being required to take responsibility for the sufficiency of the procedures

Selected Procedures
Discussion Memorandum
ARSC Meeting, January 17-19, 2017

- The term ‘responsible party’ is not to be used

The Task Force presented certain issues and drafts of the proposed standard to the ARSC at the ARSC’s meetings in May, August, and November 2016.

Issues for Discussion with ARSC

Issue #1 – Responsibility for the Procedures Performed

Pursuant to the feedback provided by the ARSC at its meeting in November 2016:

- The proposed standard does not prescribe who, if anyone, should take responsibility for the sufficiency of the procedures. The procedures can be developed by the client, the practitioner, a third party, or any combination (see paragraph X.A1 of the proposed standard)
- The practitioner is required to document the engaging party’s acknowledgment of the procedures performed prior to issuance of the practitioner’s report (see paragraph X.13 of the proposed standard). Such acknowledgement may be included in the engagement letter, an amendment to the engagement letter, in a representation letter, or some other written communication (see paragraph X.A25 of the proposed standard).

At its meeting in November 2016, the ARSC acknowledged that there is a risk that if the practitioner develops the procedures to be performed, users of the practitioner’s selected procedures report may assume that the practitioner has concluded that the procedures are sufficient as to purpose. To address such risk, the proposed standard includes the following as application paragraph X.A38 (to the reporting requirements):

X.A38 Unless the practitioner takes responsibility for the sufficiency of the procedures performed, it would not be appropriate to imply that the practitioner takes such responsibility, as doing so could be misleading to potential users of the practitioner’s selected procedures report. However, the practitioner is not precluded from making an explicit statement 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.

Action Requested of the ARSC

The ARSC is asked to provide feedback to the Task Force as to the Task Force’s consideration of the practitioner’s and the engaging party’s responsibilities with respect to the procedures performed.

Issue #2 – Common Concepts for Non-Assertion Based Attestation Standards

The Task Force has not made any revisions to the proposed chapter that was presented to the ARSC in November 2016.

Since the October 2016 meeting, the Task Force Chair and staff met with the Chairs of the ASB and ARSC as well as the Chair and staff of the Direct Engagement Task Force. At

Selected Procedures
Discussion Memorandum
ARSC Meeting, January 17-19, 2017

that meeting, it was decided that a new common concepts chapter would be developed that addressed only the non-assertion based attestation standards.

The Task Force plans to present the proposed revised common concepts chapter to the ARSC at its meeting in May 2017. The proposed chapter will use AT-C section 105 as a base and show proposed changes to that section in redline format.

Action Requested of the ARSC

The ARSC is asked to consider whether it agrees with direction provided to the Task Force to develop a common concepts chapter that would address only non-assertion based attestation standards.

Issue #3 – Reporting

Pursuant to the feedback provided by the ARSC at its meeting in November 2016:

- The report describes the objective/purpose of the engagement and the procedures performed and related findings. There is no requirement that the report state that the procedures performed may not be sufficient for all purposes but such a statement is not prohibited. The objective/purpose of the engagement is described so as not to imply an opinion or a conclusion on the subject matter.
- The report and the engagement letter requirements are consistent with respect to referring to the “purpose” of the engagement vs. the “objective” of the engagement (see paragraphs X.5 and X.24c).
- Illustrative reports are presented that show (a) just the minimum reporting requirements and (b) additional non-required limitations language that could be included in the report based on the practitioner’s judgment. The ARSC had directed that the Task Force prepare an illustrative report when specified procedures are applied to elements. The Task Force has not yet prepared such an illustration.

Action Requested of the ARSC

The ARSC is asked to provide feedback to the Task Force as to the proposed reporting requirements and the proposed illustrative reports (e.g., should the two illustrative reports be combined into one or kept separate).

Next Steps

The following represents the Task Force’s timetable for future presentations to the ARSC and ultimate issuance of the proposed standard:

- May 2017– Revised drafts of the proposed selected procedures standard and the common concepts chapter to be presented to the ARSC. The ARSC will be requested to consider voting to expose the proposed selected procedures standard for public comment. The ARSC will determine whether such proposed standard

Selected Procedures
Discussion Memorandum
ARSC Meeting, January 17-19, 2017

should be exposed immediately or whether it should be exposed with the proposed common concepts standard.

- August 2017 – ARSC to be requested to consider voting to expose the proposed common concepts chapter for public comment.
- November 2017 – If exposed in May/June 2017, the ARSC to consider comments received on the exposure draft of the proposed selected procedures standard.
- January 2018 – If comments received on the exposure draft of the proposed selected procedures standard were considered at the ARSC’s meeting in November 2017, a final draft of such standard will be presented to the ARSC with a request that the ARSC consider voting to issue as a final standard. The ARSC will be requested to consider comments received on the exposure draft of the proposed common concepts chapter (and, if not discussed at the November 2017 ARSC meeting, the comments received on the exposure draft of the proposed selected procedures standard).
- May 2018 – ARSC to be requested to consider voting to issue the proposed common concepts chapter as a final standard (and, if not yet issued, the proposed selected procedures standard).

Agenda Items Presented:

Agenda item 2A Draft proposed standard, *Specified Procedures*