

**Accounting and Review Services Committee
Meeting Highlights
August 15-17, 2017**

Committee members present:

Mike Fleming, Chair
Denny Ard
Sheila Balzer
Jimmy Burkes
Jeremy Dillard
David Johnson
Dustin Verity

AICPA staff present:

Mike Glynn – Senior Technical Manager, Audit & Attest Standards; Staff Liaison – Accounting and Review Services Committee
Kristy Illuzzi - Staff Liaison to the PCPS Technical Issues Committee
Michael Jones – Assistant General Counsel
Richard Miller – Special Counsel

Guests:

Paul Penler – Member of Selected Procedures Task Force (August 15-16 only)
Michael Santay – Chair, Auditing Standards Board (via conference call – ASB Update only)

Observers:

Laura Billingsley – Practitioners Publishing Company
Nigyar Mamedova – National Association of State Boards of Accountancy (NASBA), Director – Technical Research
Stan Sterna – Aon Insurance, Vice President – Professional Firms
Duncan Will – CAMICO Insurance Loss Prevention Manager, Accounting & Auditing Loss Prevention Specialist

The Accounting and Review Services Committee (the “ARSC” or the “Committee”) met August 15-17, 2017 in Boston, MA. The following issues were discussed and actions taken:

Welcome and overview of meeting objectives

Chair’s Report

M. Fleming welcomed the ARSC members, AICPA staff, guest P. Penler, and observers to the meeting.

M. Fleming stated that individual committee members have been busy since the May 2017 ARSC meeting. M. Fleming thanked D. Ard and the other ARSC members on the Selected Procedures Task Force (J. Dillard and D. Johnson) for their continuing efforts on the project and their active involvement at the recent NAAATS conference. M.

Fleming also thanked all the ARSC members for their review of the draft 2017 Guide, *Preparation, Compilation, and Review Engagements* as well as their input on the upcoming 2017-2018 SSARSs Risk Alert. M. Fleming also advised that he presented the SSARSs Update at NAAATS.

M. Fleming advised that D. Verity has agreed to assume S. Balzer's role as ARSC representative on the Assurance Research Advisory Group (ARAG). M. Fleming further stated that he spoke with Russ Madray from Clemson University at the June 2017 NAAATS conference and that Mr. Madray is following up with a possible author for a research paper on the topic of defining limited assurance.

In response to a question from M. Fleming as to whether there were any practice issues that the ARSC members wanted to discuss, J. Dillard stated that he had sent M. Glynn an e-note as to best practices when a CPA is engaged to prepare financial statements for submission to auditors but, the auditors need an issuance ready set of financial statements and thus precluding the inclusion of the no assurance legend. The ARSC members agreed that the best practice is to issue a disclaimer in lieu of the legend in such instances.

R. Miller stated that the Professional Ethics Executive Committee (PEEC) is considering revisions to the AICPA Code of Professional Conduct to be responsive to issues addressed by the International Ethics Standards Board for Accountants regarding the responsibility of accountants to appropriately inform responsible third parties of non-compliance with laws and regulations (NOCLAR). R. Miller personally has concerns about the proposed requirements as including procedures for the CPA to recognize violations of laws and regulations is beyond the CPA's expertise. However, the project is in the early stages and the ultimate direction is not yet clear. K. Illuzzi advised that the project is currently on "hold" by the PEEC.

Status of 2017 Guide, *Preparation, Compilation, and Review Engagements*

M. Glynn stated that it is his understanding that the Guide is expected to go to the AICPA editors in early September with an issuance early in the fourth quarter of 2017.

Approve revisions to the ARSC Operating Policies document

The ARSC considered the Operating Policies document. R. Miller asked whether it would be appropriate to publish a phone number where members of the public could dial in without making an appointment. The ARSC believes that the current procedure which allows the public to make an appointment to listen in to the meeting and, upon submission of the appointment, would get the dial-in information, remains effective, appropriate, and consistent with the Auditing Standards Board's protocol. After discussion, J. Dillard made a motion that the revised Operating Policies document be approved. J. Burkes seconded the motion and it passed unanimously.

Update on RIVIO

R. Miller provided the ARSC with an update as to the status of RIVIO. The National Credit Union Administration (NCUA) has determined that RIVIO will satisfy their requirements for direct access to financial statements. Current requirements are such that

credit unions are required to send reports directly to NCUA or to use a portal such as RIVIO. In addition, RIVIO has had a lot of interest with respect to service organization reports.

ASB Update

M. Santay provided the ASB update and reported that the ASB met July 17-20, 2017 in Denver, CO. At that meeting, the ASB voted to ballot to expose for public comment a suite of standards dealing with auditor reporting as well as other information in annual reports. M. Santay stated that the proposed standards are substantially converged with the corresponding international counterparts. It is anticipated that the proposed standards will be exposed in September or October 2017 with a 90 day comment period. The ultimately effective date may get pushed to 2019.

M. Santay stated that the ASB has received letters requesting an extension of the comment period on the proposed employee benefit plan reporting standard. As a result, the comment period has been extended to September 30, 2017. In response to a question from M. Fleming, M. Santay stated that the long form report has received favorable comments to date.

M. Santay stated that the ASB discussed proposed amendments to various AU-C sections to focus auditors' attention on disclosures throughout the financial statement audit. The ASB plans to hold a meeting via teleconference on September 11, 2017 to vote to ballot the proposed amendments from the disclosures project for exposure. The ASB intends to incorporate the disclosures project amendments into the auditor reporting exposure draft, because of the inter-relationship among the amendments.

With respect to the Selected Procedures project, M. Santay stated that he, M. Fleming, C. Landes, and M. Glynn discussed the most effective and efficient manner in which to have the proposed standard exposed for public comment. In order to move the project forward (including vetting important concepts) and given the current ARSC and ASB priorities, the group believes that the most effective way forward is for the ARSC to be asked to vote to expose the proposed standard. The Selected Procedures Task Force would then assess comments received and bring the proposed responses to both the ARSC and ASB for review and input. The project will remain a joint project and both committees will be requested to consider voting for issuance at the appropriate time. The ASB reviewed a draft of the proposed wrap document to be issued as part of the exposure draft of the proposed SSAE at its meeting. The ASB continues to believe that the joint project with the ARSC has worked well and that the proposed standard allows the profession to appropriately evolve.

Approval of highlights from the May 9-11, 2017 ARSC meeting

J. Dillard made a motion that the ARSC approve the highlights of the May 9-11, 2017 meeting as presented. J. Burkes seconded the motion and the ARSC unanimously voted to approve the highlights.

Proposed SSAE, Selected Procedures

D. Ard advised the ARSC that the purpose of the agenda item was to consider voting to ballot to expose the proposed SSAE, *Selected Procedures* for public comment. D. Ard advised that P. Penler from the Selected Procedures Task Force was attending the meeting and could provide further insight as to the Task Force's considerations.

The ARSC reviewed the draft standard and directed that:

- The proposed standard and the associated wrap material be clear that a significant difference between an agreed-upon procedures engagement and a selected procedures engagement is that, in a selected procedures engagement, the procedures need not be determined prior to execution of the engagement but can be determined as the engagement progresses.
- The practitioner be required to identify "the intended purpose of the engagement" in the selected procedures report as opposed to "the context of the engagement" so as to be clearer as to what is to be identified.
- The report should also be required to disclose the criteria used to measure or evaluate the subject matter.

After lengthy discussion over two days, J. Dillard made a motion to ballot to expose the proposed standard for public comment. The motion was seconded by D. Verity and passed unanimously.

Proposed SSARS, Omnibus - 2018

M. Glynn presented the agenda materials and advised that the objective was to consider voting to ballot to expose the proposed SSARS, *Omnibus Statement on Standards for Accounting and Review Services - 2018* for public comment.

International Reporting Issues

Among other things, the proposed standard would result in the introduction of the term *fair presentation framework* to the SSARSs. The ARSC directed that the proposed standard include a definition of the term which would refer to the definition of *financial reporting framework*. The definition of *financial reporting framework* would then be revised so as to address *fair presentation framework*. The resulting definitions would be consistent with the auditing literature.

Consideration of Going Concern in a Review Engagement

The ARSC directed that the proposed revisions to the inquiry requirements not be included in the draft standard. Instead, consistent with AU-C section 930, such inquiries would be included in a separate section on going concern.

Amendment to Requirements When Referencing the Work of Other Accountants in an Accountant's Review Report

The ARSC directed that the accountant of the reporting entity be required to ascertain that the other accountants understand the ethical requirements that are relevant to the engagement and, in particular, are independent.

Technical Correction to the Requirements Regarding the Content of the Accountant's Review Report

The ARSC agreed that the proposed standard should include a technical correction to paragraph .39 of AR-C section 90 in order to address an inconsistency between the review reporting requirements and the illustrative review reports in Exhibit C to AR-C section 90.

After discussion, J. Dillard made a motion to ballot to expose the proposed standard for public comment. The motion was seconded by S. Balzer and passed unanimously.

Draft summary of incremental requirements for a review in accordance with ISRE 2400 (Revised) and AR-C section 90

The ARSC deferred the planned discussion until the November 2017 meeting.

Consideration of inconsistency between AR-C section 90/AU-C section 930 and AT-C section 210 when the effects of a misstatement are material and pervasive

M. Glynn presented the agenda material and advised the ARSC that the objective was to consider an inconsistency between how known misstatements are treated in a review performed in accordance with AT-C section 210, *Review Engagements* and AR-C section 90 and AU-C section 930, *Interim Financial Information* and provide direction.

M. Glynn reminded the ARSC members that there are three separate bodies of literature with respect to limited assurance engagements:

- AT-C section 210, *Review Engagements*
- AU-C section 930, *Interim Financial Information*
- AR-C section 90, *Review of Financial Statements*

With respect to known misstatements of the subject matter, AU-C section 930 and AR-C section 90 both include a step in which the practitioner considers whether modification of the standard report is sufficient to address the misstatement. If the practitioner concludes that modification of the standard report is not sufficient, then the practitioner is required to withdraw. AT-C section 210 requires the practitioner to jump right to withdrawal when the effects of the matter are material and pervasive and does not permit modification of the standard report.

The ARSC considered proposed revisions to AT-C section 210 which would result in the literature being consistent. However, D. Johnson stated that he did not think that it was in the public interest to allow a practitioner to issue any report on subject matter that the practitioner knows is materially and pervasively misstated. D. Johnson stated that, in his opinion, the requirements in AT-C section 210 are more appropriate (that is, the practitioner would be required to withdraw from the engagement) than the requirements

in AR-C section 90. S. Balzer and J. Burkes as well as R. Miller stated that they were inclined to agree with D. Johnson.

While the ARSC continues to agree with the prohibition on the expression of an adverse review conclusion, the ARSC directed that a discussion topic be included in the agenda for the November 2017 meeting to further consider the inconsistency and also how material and pervasive misstatements are treated in ISRE 2400 (Revised).

Wrap-up

The next in-person meeting of the ARSC will be November 14-16, 2017 in Savannah, GA. At that meeting, the ARSC expects to:

- Liaise with the AICPA's Technical Issues Committee
- Consider a draft summary of incremental requirements that an accountant would be required to apply to perform a review in accordance with both ISRE 2400 (Revised) and AR-C section 90
- Continue consideration of the inconsistency between how known misstatements are treated in a review performed in accordance with AT-C section 210/ AR-C section 90 and AU-C section 930 and expand the consideration to include how such misstatements are treated in a review performed in accordance with ISRE 2400 (Revised).

Dates and locations for subsequent ARSC meetings are as follows (specifics of the meeting agendas for these meetings will be determined at a later date):

- January 9-11, 2018 – San Juan, PR
- May 8-10, 2018 – Austin, TX