



Agenda Item 1C

EXPOSURE DRAFT

**PROPOSED STATEMENT ON STANDARDS FOR
ATTESTATION ENGAGEMENTS**

SELECTED PROCEDURES

September X, 2017

Comments are requested by December X, 2017

Prepared by the AICPA Accounting and Review Services Committee for comment from persons interested in
attestation and reporting issues

Comments should be addressed to Mike Glynn at mike.glynn@aicpa-cima.com

Selected Procedures
Draft Wrap Material
ARSC Meeting, August 15-17, 2017



Copyright © 2017 by
American Institute of Certified Public Accountants, Inc.
New York, NY 10036-8775

Permission is granted to make copies of this work provided that such copies are for personal, intraorganizational, or educational use only and are not sold or disseminated and provided further that each copy bears the following credit line: "Copyright © 2016 by American Institute of Certified Public Accountants, Inc. Used with permission."

CONTENTS

	Page
Explanatory Memorandum	
Introduction	4
Background	4
Effective Date	5
Issues for Consideration and Specific Requests for Comment	5
Guide for Respondents.....	8
Comment Period	9
Accounting and Review Services Committee Members	10
Exposure Draft	
Proposed Statement on Standards for Attestation Engagements <i>Selected Procedures</i>	11

EXPLANATORY MEMORANDUM

Introduction

This memorandum provides background on the proposed Statement on Standards for Attestation Engagements (SSAE) *Selected Procedures*.

Background

The Accounting and Review Services Committee (ARSC) and the Auditing Standards Board (ASB) (collectively the “Committees”) have been engaged in on-going discussions as to whether there are limitations in practice with respect to the application of AT-C section 215, *Agreed-Upon Procedures Engagements*. As part of the discussions, the Committees determined to develop a standard that, if issued as a final SSAE, would result in a new service.

The project to develop the proposed standard is a joint effort of the Committees.

The proposed standard would address practice issues resulting from the application of AT-C section 215 including:

- Providing flexibility by not requiring the specified parties to establish the procedures and agree to the sufficiency of the procedures for their purposes. In a selected procedures engagement, the practitioner may determine the procedures to be performed and no party would be required to take responsibility for the sufficiency of the procedures. This allows the practitioner to perform the engagement in situations in which the specified parties may not have the ability or be willing to fully develop or do not determine the procedures – without having to perform a separate consulting services engagement.
- Removing the requirements to request an assertion from the responsible party and to disclose in the accountant’s report when the practitioner does not obtain a written assertion from the responsible party. In certain situations, the engaging party is not the responsible party and the practitioner’s ability to obtain a written assertion is greatly diminished. Or, the engaging party may not have the ability or otherwise be willing to perform its own measurement or evaluation of the subject matter.
- Removing the requirement for the practitioner to restrict the use of the report. This flexibility allows the report to be used by a wider audience including parties who are unwilling or unable to agree to the sufficiency of the procedures for their purposes.

These issues are more fully described in the Issues for Consideration and Specific Requests for Comment section of this document.

The ASB has also undertaken a separate but related project to consider amending the attestation standards for examination, review and agreed-upon procedures engagements to address situations in which a responsible party does not provide a written assertion to the practitioner. Depending on the outcome of that broader project, AT-C section 215 could be revised to eliminate the requirement of requesting a written assertion from the responsible party.¹

¹ Paragraph .15 of AT-C section 215.

Format of the Exposure Draft

This exposure draft is presented in columnar format in which requirements and related application guidance are presented side-by-side instead of in the more customary sequential presentation. This approach has been efficient for the ARSC and ASB in developing and reviewing the proposed SSAE, and it is used here for the benefit of respondents. The resulting SSAE will be issued in the traditional format.

Effective Date

The proposed SSAE will be effective for reports dated on or after May 1, 2019. This effective date is provisional due to the interaction with the broader project described above.

Issues for Consideration and Specific Requests for Comment

Issue #1 – Nature of the Proposed Service and Development of the Procedures to be Performed

In conducting an agreed-upon procedures engagement in accordance with AT-C section 215, the practitioner's objectives include applying to the subject matter procedures that are established by specified parties who are responsible for the sufficiency of the procedures for their purposes. In practice specified parties often request the practitioner to assist in the development of the procedures to meet a certain objective.

The proposed standard would provide greater flexibility by allowing the procedures to be developed by the practitioner, the engaging party, another party, or a combination of these parties. While none of those parties would be required to take responsibility for the sufficiency of the procedures any or all may take such responsibility.

The proposed standard would require the engaging party to determine the intended purpose of the engagement (that is, the use for which the practitioner's report is intended) and would require that the practitioner's report state such intended purpose. The proposed standard would also require the engaging party to provide a written acknowledgment regarding their awareness of the actual procedures performed.

Individual users of the selected procedures report would make their own determination as to whether the procedures performed were sufficient for their purposes. To clearly communicate this, the proposed report is required to include a statement that the procedures performed may not address all of the items of interest to a user and may not meet the needs for all users and, as such, users are responsible for the sufficiency of the procedures for their intended purpose.

Specific Request for Comment #1A

Respondents are asked to provide feedback as to whether they believe that the proposed new service is necessary in light of the challenges in applying AT-C section 215 as described in this document. If so, respondents are further asked to provide specific examples as to when the proposed service may be applied in practice and if there are any situations in which the service would not be appropriate.

Specific Request for Comment #1B

Respondents are asked to provide feedback as to whether they believe that the proposed standard appropriately addresses the objectives of providing greater flexibility as to the development of the procedures to be performed by the practitioner and the nature and extent of the responsibilities of the parties to the engagement.

Specific Request for Comment #1C

Respondents are asked whether they agree with the proposal that no party would be required to take responsibility for the sufficiency of the procedures in a selected procedures engagement.

Specific Request for Comment #1D

Related to Specific Request for Comment #1C, respondents are asked to consider and provide feedback as to whether they believe the proposed reporting requirements appropriately communicate:

- (a) When no party takes responsibility for the sufficiency of the procedures
- (b) When the practitioner, the engaging party, another party, or a combination of these parties take responsibility for the sufficiency of the procedures
- (c) The responsibilities (or lack thereof) of the practitioner, engaging party, and the party responsible for the subject matter
- (d) The limitations of the engagement

Issue #2 – Use of the Report

A practitioner's agreed-upon procedures report is required to include an alert that restricts its use to those specified parties who have agreed to the procedures to be performed by the practitioner and who are responsible for the sufficiency of the procedures for their purposes. As stated in Issue #1, the proposed standard does not include a requirement for specified parties to establish the procedures to be performed by the practitioner or to take responsibility for the sufficiency of the procedures. The proposed standard does not require that the report include an alert restricting the use of the report to specified parties.

In practice, practitioners often receive requests from clients to leverage the practitioner's expertise or to assist in enhancing the credibility or providing trust to information. The benefit of permitting general-use procedures and findings reports would provide practitioners with flexibility in being responsive to client requests and the needs of users of the practitioner's report.

Although there would be no requirement to do so, the practitioner would not be precluded from restricting the use of the selected procedures report if the engaging party asks that the report be restricted or if the practitioner deems a restriction on the use of the selected procedures report to be appropriate.

Specific Request for Comment #2A

Respondents are asked whether they agree with the permission of general-use selected procedures reports.

Specific Request for Comment #2B

Respondents are requested to provide feedback as to whether the determination to restrict the use of a practitioner's selected procedures report should be primarily a function of the practitioner's professional judgment or whether there should be specific situations in which the practitioner would be required to restrict the use of the

Selected Procedures
Draft Wrap Material
ARSC Meeting, August 15-17, 2017

selected procedures report (including a description of those situations). If respondents agree that the determination to restrict the use of a practitioner's selected procedures report should be primarily a function of the practitioner's professional judgment, respondents are further asked if additional guidance is needed to assist practitioners in making this judgment and, if so, what such additional guidance should consist of.

Specific Request for Comment #2C

Respondents are asked, if general-use selected procedures reports are permitted, whether additional language should be included in the practitioner's selected procedures report such as disclosure of the party or parties that determined the procedures to be performed by the practitioner.

Issue #3 – Requesting or Obtaining an Assertion from a Responsible Party

In accordance with paragraph .15 of AT-C section 215, when the responsible party does not provide the practitioner with a written assertion (and assuming that the practitioner is willing to issue a report), the practitioner is required to disclose in the practitioner's report the responsible party's refusal to provide a written assertion.

In practice, specifically in situations in which the engaging party is not the responsible party, the responsible party may not be expected to or otherwise be willing to provide a written assertion. Also, the engaging party may not have performed its own measurement or evaluation of the subject matter of the agreed-upon procedures engagement against the criteria and therefore is unable to provide an assertion. The proposed standard does not require the practitioner to request or obtain an assertion from any party thus providing flexibility by permitting the practitioner to perform the initial measurement or evaluation of the subject matter (assuming that the practitioner does not impair his or her independence by performing the initial measurement or evaluation of the subject matter).

Specific Request for Comment #3A

Respondents are asked whether they agree that the practitioner should not be required to request or obtain a written assertion from the responsible party in a selected procedures engagement.

While not requiring a written assertion from the responsible party, the proposed standard does require that the practitioner request certain written representations from the engaging party and in situations in which the engaging party is not the responsible party, also from the responsible party.

Specific Request for Comment #3B

Respondents are asked whether, in addition to those representations required by the proposed standard and in the absence of requiring that the responsible party provide a written assertion, there are any other written representations that the practitioner should be required to request in a selected procedures engagement. If so, respondents are asked to provide specific representations that should be required to be requested.

Issue #4 – The Proposed Standard vs. an Agreed-Upon Procedures Engagement

Consistent with the extant attestation standards, the proposed standard is engagement driven which means that it would apply only when a practitioner is engaged to issue, or does issue a practitioner's selected procedures report.

While the proposed standard does include a discussion of the fundamental differences between a selected procedures engagement and an agreed-upon procedures engagement, it does not include a “framework” for determining when a practitioner should perform a selected procedures engagement, an agreed-upon procedures engagement, or a consulting engagement. At this point, the Committees believe that consideration should be a marketplace decision based on a number of factors, including whether the engaging party is required to or is requested to take responsibility for the measurement or evaluation of the subject matter in accordance with the criteria or to determine the procedures to be performed or to agree as to the sufficiency of the procedures, as well as whether the practitioner wishes to accept such an engagement.

Specific Request for Comment #4A

Respondents are asked whether they agree with the Committees that the proposed standard should be market-driven or whether there are instances in which a practitioner should be precluded from performing a selected procedures engagement.

Specific Request for Comment #4B

Respondents are asked whether they believe that the proposed standard should be (a) included in the professional literature as revisions to AT-C section 215 (resulting in the agreed-upon procedures and selected procedures requirements and guidance being codified together) or (b) a stand-alone AT-C section (for example, AT-C section 220) within the attestation literature and to provide reasoning for their preference.

Concepts From AT-C section 105, Concepts Common to All Attestation Engagements

Given that the Committees are considering amendments to the existing AT-C sections to address situations in which the responsible party does not provide a written assertion, the extent of changes as a result of that project, if any, to AT-C 105 is unknown. Therefore, the Committees determined that it would be more convenient for respondents to consider the proposed *Selected Procedures* standard if it included certain elements from AT-C section 105. Those elements may eventually be moved to a revised AT-C section 105. Such elements include:

- Definitions
- Compliance With this Section
- Relationship of this Section to Quality Control Standards
- Acceptance and Continuance
- Preconditions for a Selected Procedures Engagement
- Acceptance of a Change in the Terms of the Engagement
- Professional Skepticism and Professional Judgment
- Using the Work of an Other Practitioner
- Documentation
- Engagement Quality Control Review

The requirements and guidance from AT-C section 105 incorporated in the proposed standard include certain revisions in the context of a selected procedures engagement.

Guide for Respondents

Respondents are asked to provide comments on the Specific Request for Comment Nos. 1-4 as well as on the content of the proposed SSAE.

Selected Procedures
Draft Wrap Material
ARSC Meeting, August 15-17, 2017

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and (when appropriate) make specific recommendations for any suggested changes to wording. When a respondent agrees with proposals in the exposure draft, it will be helpful for ARSC to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available for public inspection at the AICPA offices after December X, 2017, for a period of one year. Responses should be sent to Mike Glynn at mike.glynn@aicpa-cima.com by December X, 2017.

Comment Period

The comment period for this exposure draft ends on December X, 2017.

Accounting and Review Services Committee
(2016–2018)

Mike Fleming, *Chair*
Denny F. Ard
Sheila Balzer
Jimmy E. Burkes

Jeremy Dillard
David Johnson
Dustin Verity

Selected Procedures Task Force

Denny F. Ard, *Chair*
Jeremy Dillard
Marne Doman
Dan Hevia

David Johnson
Michael Manspeaker
Paul Penler
Chad Singletary

Messrs. Hevia and Singletary are members of the Auditing Standards Board. Mr. Manspeaker is a member of the PCPS Technical Issues Committee. In addition, Mr. Fleming, Michael J. Santay, Chair of the Auditing Standards Board, and Catherine M. Schweigel, ASB Member and Chair of the ASB's Non-Assertion Based Examination and Review Engagements Task Force, are observers of the Selected Procedures Task Force.

AICPA Staff

Charles E. Landes
Vice President
Professional Standards

Michael P. Glynn
Senior Technical Manager
Audit and Attest Standards
Staff Liaison—Accounting and Review Services
Committee

Michael A. Jones
Assistant General Counsel