



Agenda Item 1B (4)

Q1 - Preparation Engagements - Informing Mgmt on Withdrawal

Hierarchical Name	Respondent	Response	Comments
Nodes\\Q01	02 - Alpresh Shah	<p>The proposed application guidance is definitely helpful and sufficient. I think this is a justified and sensible change and I definitely support it.</p> <p>AICPA may want to recommend within what timeframe such withdrawal intention need to be communicated to management upon identification of such issues in the preparation engagement.</p> <p>Whether such communication should be in writing and/or verbal, as well as, will this require termination of the original engagement letter prior to commencing any other engagements or re-defining the scope of work? I do not have any further comments on this.</p>	
Nodes\\Q01	03 - Carr Riggs	<p>CRI agrees with this added requirement for preparation engagements and that the associated application guidance is helpful and sufficient.</p>	
Nodes\\Q01	05 - NYSSCPA	<p>We agree with this proposed requirement as it is consistent with the accountant's responsibility under a compilation engagement, and</p>	

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Nodes\\Q01	08 - Michigan OAG	<p>provides transparency to management in regard to the ethical reasons for the withdrawal. The proposed application guidance is helpful and sufficient, and no further revision is considered.</p> <p>We agree with the proposed requirement as it is consistent with the requirement in AR-C 80.16 when an accountant withdraws from a compilation engagement. We consider the guidance as helpful and</p>	
Nodes\\Q01	09 - ICPAS	<p>The Committee believes management should be informed of the reasons for withdrawing from a preparation engagement and the proposed application guidance is helpful and sufficient.</p>	
Nodes\\Q01	12 - NSAA	<p>We agree with the proposed requirement as it is consistent with the requirement in AR-C 80.16 when an accountant withdraws from a compilation engagement. We consider the application guidance as helpful and sufficient in applying the proposed requirement.</p>	
Nodes\\Q01	14 - RSM US LLP	<p>We agree with the additional proposed requirement for the accountant to inform management of its reasons for withdrawal from a preparation engagement. We believe the related proposed application guidance is helpful and sufficient.</p> <p>We agree with the associated application guidance from paragraphs .A22-.A23 of AR-C section 80 to be repeated in AR-C section 70 as proposed</p>	

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Nodes\\Q01	16 - Baker Tilly	We believe that requiring an accountant to inform management of his or her reasons for withdrawing from a preparation engagement is appropriate and provides management and the accountant with an opportunity to resolve any misunderstandings that may have led to the accountant's intention to withdraw. Further, we believe that the proposed application guidance is helpful and sufficient in assisting accountants in applying the	
Nodes\\Q01	20 - VSCPA	We believe the proposed guidance is helpful and increases consistency throughout the standards.	
Nodes\\Q01	22 - FICPA	The Committee agrees with the proposed requirements for the accountant to inform management for his/her reasons for withdrawing from a preparation engagement in order to provide complete transparency to management. It is also consistent with the compilation standard. The proposed application guidance is helpful and sufficient for accountants in applying the	
Nodes\\Q01\\Q01 - Agree - but additional application guidance needed	18 - Navolio Tallman	We believe that it is appropriate that the requirements for preparation engagements be consistent with the requirements when the accountant withdraws from a compilation engagement. However, we thought that the application guidance might also suggest that the engagement letter address the right to withdraw under the specified circumstances	

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Nodes\\Q01\\Q1 - Agree - with additional documentation requirement	07 - NASBA	We agree with the proposed requirements for the accountant to inform management of its reasons for withdrawing from the preparation engagement. We also believe that the accountant should include documentation in the engagement workpapers that management has been informed of the reasons for withdrawing. The nature and extent of documentation should be at the accountant's	
Nodes\\Q01\\Q01 - Agree but application guidance not needed	13 - TIC	TIC agrees with the proposed requirement to inform management of the reasons for withdrawing from a preparation engagement. However, TIC believes the application material appears to go into too much detail and in some cases provides redundant information that makes the standard lengthy without adding pertinent information necessary to performing a preparation engagement. As an example, paragraph A14 states the following:	<p>In circumstances addressed by the requirements of this section in which withdrawal from the engagement is necessary, the responsibility to inform management of the reasons for withdrawing provides an opportunity to explain the accountant's ethical obligations.</p>

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Nodes\\Q01\\Q1 - Agree with revision	06 - CLA	<p>TIC believes that explanations such as this may not be <u>necessary to understand the</u> We agree that when the accountant determines that they should withdraw from the engagement that the accountant should inform management of the reason for withdrawing. The proposed application guidance is helpful and sufficient.</p>	
		<p>The proposed paragraph .17 of AR-C section 70 states: “If the accountant becomes aware that the records, documents, explanations, or other information, including significant judgments, used in the preparation of the financial statements are incomplete, inaccurate, or otherwise unsatisfactory, the accountant should bring that to the attention of management and request additional or corrected information. If management fails to provide such additional or corrected information, the accountant should withdraw from the engagement and inform management of the reasons for withdrawing. (Ref: par. .A14-.A15)”</p>	
		<p>The revised wording is bold in the above paragraph. When providing preparation services, there is the potential for management to be unable to provide corrected information</p>	

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		<p>to support amounts reported in their financial statements.</p> <p>There is typically no intention to mislead, so the financial statements would identify a departure from the applicable financial reporting framework.</p> <p>This departure could be disclosed in the financial statement discussions with management, the accountant prepares financial statements that contain a known departure or departures from the applicable financial reporting framework (including inadequate disclosure), the accountant should disclose the material misstatement or misstatements in the financial statements. (Ref: par. .A17)"</p> <p>Based on these facts, we suggest you modify the revisions in paragraph .17 to state:</p> <p>If management is unable to provide such additional or corrected information, the accountant should follow the guidance in paragraph .18. If management is unwilling to provide such additional or corrected information, the accountant should consider withdrawing from the engagement and inform management of the reasons for withdrawing. (Ref: par. .A14-.A15)"</p> <p>The above wording allows the accountant to apply</p>	

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Nodes\\Q01\\Q1 - Agree with revision	19 - Grant Thornton	<p>We support the proposed requirement in paragraph 14 of AR-C section 70 for the accountant to inform management of the reasons for withdrawing when the accountant decides to withdraw from the engagement in accordance with the stated circumstances. We also support the proposed requirement in paragraph 17 for the accountant to withdraw from the engagement and to inform management of the reasons for withdrawing if management fails to provide the stated additional or corrected information.</p> <p>We believe the requirement could be strengthened to also require communication of the reasons for the withdrawal to those charged with governance. We recommend the ARSC consider this revision in finalizing the appropriate nature and extent of such communication.</p> <p>Finally, we believe paragraph .A14 could be positioned more directly in the context of applying the requirement. Additionally, we note that paragraph .A14 applies to both paragraph 14, which does not require the accountant to withdraw from the engagement, and to paragraph 17, which does require the</p>	

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		accountant to withdraw from the engagement. To address the above points, we recommend revising paragraph .A14 as follows: "In circumstances where the accountant is unable to include considerations for withdrawing from the engagement."	
Nodes\\Q01\\Q1 - Disagree	04 - NJCPA	The Group believes that the proposed standards are understandable and the application guidance is helpful in applying the new proposed requirements. As to the specifics of the proposed changes, the Group believes that informing management of the reasons for the withdrawal should not be a requirement but should remain as an option or best practice. The Group believes that one of the primary reasons the accountant would resign is for a legal or ethical issue, and the accountant would not want to explicitly state those reasons due to malpractice or other concerns.	While trying to determine if the application guidance is helpful, the Group summarized the requirements of Proposed Revised AR-C Section 70, paragraph A.14 as follows –
			"The Accountant should ensure a statement is included on each pageindicating ...no assuranceis provided. If the accountant is unable to include

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		a statement... the accountant should -	
		<ul style="list-style-type: none"> a. issue a disclaimer that makes it clear no assurance is provided on the financial statements b. perform a compilation engagement... or 	
			<u>c. withdraw after consulting</u>
		The Group also summarized Paragraph A.14 and the Explanatory Material of .A12 as follows -	
		A.14 - "The accountant should ensure...a statement is included on each page of the financial statements indicating at a minimum...' No Assurance is Provided'	
		.A12 - "The statement on each page of the financial statements... is intended to avoid a misunderstanding on the part of users with respect to the accountants' involvement with the financial statements is at managements' discretion...."	
		Does this put the disclosure in managements' hands? If so, <u>why should the accountant be</u>	