



**ACCOUNTING AND REVIEW SERVICES COMMITTEE (ARSC)
Meeting Highlights
May 24, 2021
Videoconference**

MEETING ATTENDANCE

ARSC Members

Denny Ard, *Chair*
Ignatius Jackson
Karen Kerber
Bruce Nunnally
Victoria Pitkin
Thomas Prothro
Michael Westervelt

2021-2022 ARSC Members (becoming members after May 2021 meeting):

W. Barclay Bradshaw
Michael Manspeaker
Kim Meyer

AICPA Staff who were granted the floor during the meeting

Jennifer Burns, *Chief Auditor*
Mike Glynn, *Senior Manager—A&A Standards*
Ahava Goldman, *Associate Director – A&A Standards*
Michael A. Jones, *Asst. General Counsel—General Counsel & Trial Board*
Andy Mrakovcic – *Manager – A&A Standards*
Carl Peterson – *Vice President – Small Firm Interests*

Chair’s Report and ASB Update

Mr. Ard and Ms. Burns welcomed the new members of the 2021-2022 ARSC that will be coming on as members after the current meeting. In addition, they both expressed appreciation to B. Nunnally, V. Pitkin, and T. Prothro who will be completing their terms at the conclusion of the current meeting. All the current and future members of the ARSC provided brief introductions.

Mr. Ard advised that he and Mr. Glynn participated in a webcast in February 2021 presented by the Center for Plain English Accounting in which a panel presented the latest attestation standards on agreed-upon procedures engagements, examinations, and reviews.

M. Glynn stated that the 2021 edition of the *Preparation, Compilation, and Review Engagements Guide* is scheduled to be issued in the Fall of 2021. The Guide will be updated through SSARS 25. Starting in 2022, the Guide will be available in electronic format only.

Mr. Prothro made a motion, which was seconded by Ms. Pitkin to approve the highlights of the January 2021 ARSC meeting. The highlights were unanimously approved as presented.

Significant issues discussed during the ARSC meeting included the following:

Proposed revisions to AR-C sections 60 and 90 for proposed SQMS and SAS on Quality Management

M. Glynn advised the ARSC that, in February 2021, the Auditing Standards Board issued an exposure draft which consisted of the following three proposed standards (collectively, “the QM 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 Performed in Accordance With Generally Accepted Auditing Standards*

The comment period ends on August 31, 2021. The proposed standards are in convergence with the quality management standards issued by the International Auditing and Assurance Standards Board.

If issued as final standards, QC section 10, *A Firm’s System of Quality Control* would be superseded. As AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services* references QC section 10, revisions to that section would be necessary. The revisions necessary would be more significant than conforming changes.

To facilitate an effective and efficient implementation of the suite of standards, any proposed revisions to SSARs should be effective at the same time as the revisions to the auditing literature. The QM standards are proposed to be effective for periods beginning on or after December 15, 2023.

The discussion was opened for question on the proposed SQMSs. V. Pitkin noted that while the proposed standards refer to “more sophisticated” and “less sophisticated” firms, she questioned the scalability for one or two person firms as those may be much less sophisticated than other “less sophisticated” firms. A. Goldman stated that implementation material will be developed for those firms that are very small or whom the highest level of service performed is a review or compilation. The ASB believes that the proposed standards are inherently scalable as they contain very few prescriptive requirements.

K. Kerber stated that she was concerned about the requirement for responsibility for quality be assigned to the firm’s managing partner and questions how that will increase audit quality for those firms at which the managing partner specializes in tax. A. Goldman stated that, for those firms, the managing partner can exercise that responsibility by assigning an appropriate person to oversee audit quality and making sure that that person has the appropriate resources to fulfill their responsibility and

referenced paragraphs .A35-.A36 in proposed SQMS 1. K. Kerber expressed concern that practitioners are not understanding the requirement.

M. Glynn walked the ARSC through the proposed SSARS as presented in agenda item 1B. Significant issues raised during the discussion are as follows:

- K. Kerber stated that firms with non-CPA partners may struggle with the revised definition of *engagement partner* in paragraph .07 of AR-C section 60. In response, A. Goldman stated that the concept of a non-CPA partner serving as *engagement partner* is not impacted by the revised definition but that the firm would have to adhere to relevant ethical requirements in staffing the engagement.
- With respect to the proposed change to paragraph .21(d)ii (proposed to be changed to paragraph .21(d)iii) of AR-C section 60, K. Kerber asked if the requirement that the engagement partner be satisfied that the engagement team has been “given sufficient time” includes being given sufficient resources. A. Goldman responded that the wording is consistent with the proposed QM SAS as well as the international standard. J. Burns pointed out that “sufficient and appropriate resources” is covered in paragraph .21(d)ii.
- K. Kerber expressed concern with respect to the readability of the proposed revisions to paragraph .A48 of AR-C section 60. A. Goldman suggested that the phrase “and SSARSs engagements” could be deleted.
- A. Goldman stated that the proposed revision to paragraph .76j of AR-C section 90 should read “For review engagements for which the firm requires an engagement quality review, the engagement quality review is completed.”
- V. Pitkin stated that the reference to “the quality review” in the proposed revision to paragraph .139 of AR-C section 90 should reference to “the engagement quality review.”
- M. Manspeaker suggested that perhaps paragraph .139 should be revised to include a requirement to document the review of the engagement documentation in situations in which there is no engagement quality review. After discussion, the ARSC directed that the following be included as .139b and c:
 - b. Who reviewed the work performed ~~for the purpose of quality control for the engagement~~ and the date and extent of the review
 - c. ***If an engagement quality review was performed, who performed the engagement quality review for the engagement and the date and extent of such review***

After discussion, the ARSC directed that the proposed QM SSARSs be exposed after the September 2021 ASB meeting. This would allow the ASB time to consider comments

received on its ED and, if there are any issues that the ASB wants additional input on, include targeted requests for comment with the SSARSs ED. Also, the SSARS ED would be consistent with the draft SAS post-comment letter revisions. The ARSC proposes the following timeline for issuance of a final QM SSARS:

- Late October 2021 – ARSC to meet to consider voting to expose the proposed QM SSARS for public comment
- November 2021 – Exposure draft issued
- January 2022 – Comment period ends
- May 2022 – ARSC to vote to issue the proposed standard as a final SSARSs (coincides with the ASB timetable for issuance of the proposed QM SAS and SQMSs)

Comparison of reporting requirements between a GAAS audit and a review in accordance with AR-C section 90

M. Glynn advised the ARSC that the objective of the discussion is to consider the reporting requirements for a review performed in accordance with AR-C section 90 against the requirements for an auditor’s report in accordance with auditing standards generally accepted in the United States of America (GAAS).

M. Glynn reminded the ARSC members that at a recent meeting, the ARSC determined to not consider requiring that the review conclusion be at the beginning of the report. The primary reason is that the ARSC wants the review report to look different from the audit report to reduce the risk of a user misunderstanding the level of comfort that they can take from the report. In addition, other review reports (PCAOB reports, interim reviews performed in accordance with AU-C section 930, and ISRE 2400 (Revised) reports) continue to not require the conclusion at the beginning of the report. However, there is no requirement that would preclude a practitioner from expressing the conclusion at the beginning of the report if the practitioner determined it appropriate to do so.

M. Glynn walked the ARSC through a document that contrasted the reporting requirements between a GAAS audit and a review in accordance with AR-C section 90. Significant issues raised during the discussion are as follows:

- D. Ard stated that he prefers retaining the sentences that read “A review includes primarily applying analytical procedures to management’s (owners’) financial data and making inquiries of company management (owners). A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I (we) do not express such an opinion.” in the introductory paragraph in order to be clear to users regarding the differences between an audit and a review as early as possible in the report.

- With respect to the issue of disclosing additional procedures that the accountant determined to perform, D. Ard stated that he is unaware of any practice or public interest issues that have arisen from the disclosure that the review consists primarily of analytical procedures and inquires. B. Nunnally stated that an unintended consequence of requiring disclosure of additional procedures performed may be that accountants would be reluctant to *perform* procedures beyond analytical procedures and inquiries because either they or the client would not want such procedures included in the review report. The ARSC determined to not propose a requirement that the accountant disclose additional procedures performed as part of the review engagement in the accountant's review report.
- The ARSC members agreed that the disclosure of management's responsibility related to going concern should be required in the accountant's review report.

M. Glynn stated that he would draft up a proposed revision to AR-C section 90 that would result in the changes to the report that the ARSC considered appropriate and bring to a subsequent meeting.

Open Discussion of Issues

M. Manspeaker stated that additional guidance on analytical procedures in a review engagement would benefit practitioners in understanding how limited assurance is obtained.

B. Nunnally stated that additional opportunities will be presented with respect to agreed-upon procedures engagements and therefore, additional guidance may be needed.

Subsequent ARSC Meetings

The ARSC directed that the next Committee meeting be held via videoconference on August 11, 2021 from 12:00 – 4:00 pm ET. At that meeting, the ARSC will continue discussions on potential revisions to the review reporting requirements.

The ARSC will also meet after the October 11-14, 2021 ASB meeting to continue discussions on the proposed Quality Management SSARs. That meeting will be scheduled later.