



**ACCOUNTING AND REVIEW SERVICES COMMITTEE (ARSC)
Meeting Highlights
February 28, 2022
Videoconference**

MEETING ATTENDANCE

ARSC Members

Denny Ard, *Chair*
W. Barclay Bradshaw
Ignatius Jackson
Karen Kerber
Michael Manspeaker
Kim Meyer
Michael Westervelt

AICPA Staff who were granted the floor during the meeting

Jennifer Burns, *Chief Auditor*
Mike Glynn, *Senior Manager—A&A Standards*
Michael A. Jones, *Asst. General Counsel—General Counsel & Trial Board*
Brian Wilson, *Director – A&A Standards*

General Update

Ms. Burns provided an update as to the recent activities of the Auditing Standards Board (ASB). The ASB met January 25-27, 2022. The ASB discussed a draft of the proposed SAS, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Auditors)*. The proposed SAS will continue to allow the group auditor to choose to refer to the report of another auditor and proposes to define such auditors as “referred-to auditors” and excludes such auditors from the definition of *component auditors* and excludes such auditors from the engagement team. The ASB plans to vote to issue an exposure draft of the proposed standard at its meeting on March 9, 2022. At the January meeting, the ASB also discussed and voted to issue an exposure draft of proposed SAS, *Amendment to AU-C Section 935* to amend AU-C section 935, *Compliance Audits* to reflect the issuance of SAS Nos. 142, *Audit Evidence* and 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*. The comment period on that proposed SAS ends on May 15, 2022. The ASB also continued its consideration of the proposed quality management standards with a goal of voting to issue the proposed standards at its meeting in May 2022.

At that March 9 meeting, the ASB also plans to vote to issue a final SAS, *Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance With Laws and Regulations*.

Ms. Burns also thanked the ARSC for its work on the Audits of Less Complex Entities Task Force which has culminated in the submission of a comment letter on the International Auditing and Assurance Standards Board’s (IAASB) proposed auditing standard for less complex entities on January 31, 2022. The IAASB is expected to consider comments received on the proposed standard at its meeting in May 2022.

In addition to the ASB, the AICPA's Professional Ethics Executive Committee (PEEC) met on February 16, 2022. As part of that meeting the PEEC voted to issue two new Interpretations dealing with noncompliance with laws and regulations (NOCLAR). The interpretations provide separate requirements when NOCLAR is found or suspected in a) an audit or review engagement; b) a compilation or a nonattest engagement; or c) by members in business. The 2022 edition of the Guide, *Preparation, Compilation, and Review Engagements* will need to mention the issuance of the Interpretations. While the Interpretations can be early implemented, they are not effective until June 2023.

Approval of Highlights from November 2021 Meeting

Mr. Bradshaw made a motion, which was seconded by Mr. Manspeaker to approve the highlights of the November 2021 ARSC meeting. The highlights were unanimously approved as presented.

Quality Management

The ARSC's objective was to review proposed revisions to the proposed SSARS, *Quality Management for an Engagement Performed in Accordance with Statements on Standards for Accounting and Review Services* (the "QM SSARS"). The proposed revisions are in response to comments received on the exposure draft of the proposed QM SSARS as well as for consistency with the draft proposed SAS, *Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards* that was discussed by the ASB at its meeting in January 2022.

Mr. Glynn led the discussion and advised that 8 comment letters were received on the exposure draft of the proposed QM SSARS. The plan is to vote to issue the QM SSARS as a final standard at the ARSC's May 2022 meeting.

The ARSC walked through the draft QM SSARS paragraph by paragraph and directed that:

- Paragraph .07 of AR-C section 60 (Definitions) – all terms defined in paragraph .12 of the QM SAS should be included in paragraph .07 unless such terms are not used in AR-C section 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*. The terms *engagement team* and *firm* will not be included in paragraph .07 of the QM SSARS as such terms are already defined in the paragraph .07 of AR-C section 60. The terms *response (in relation to a system of quality management)* and *staff* will not be included in paragraph .07 of the QM SSARS as such terms are not used in AR-C section 60.
- Paragraph .21 of AR-C section 60 (Engagement Level Quality Management) – for consistency revise so that the action is in the form of a verb in all subparagraphs. Add paragraph .15 from the QM SAS to subparagraph b.
 - While subparagraph b regarding the accountant's report being appropriate in the circumstances is not included in the QM SAS, it should be retained. The ARSC directed that Mr. Glynn inquire of the Audit & Attest Standards

Team staff to the ASB's Quality Management Task Force whether the requirement is subsumed in another requirement in the QM SAS.

- Paragraph .23 of AR-C section 60 (Compliance With Relevant Ethical Requirements) – the requirements and corresponding application paragraphs from the QM SAS should be included in the QM SSARS.
- Paragraph .24 of AR-C section 60 (Monitoring and Remediation) – The paragraph should be deleted as it is a repeat of paragraph .36 of the proposed Statement on Quality Management Standards No. 1, *A Firm's System of Quality Management* (which applies to SSARSs engagements). In its place, paragraph .39 from the QM SAS should be included.
- Paragraph .139 of AR-C section 90 (Review Documentation) – subparagraph c should be revised as follows:

.139 In documenting the nature, timing, and extent of procedures performed as required in this section, the accountant should record the following:

c. ~~If an engagement quality review was performed~~ applicable, ~~who performed the engagement quality review for the engagement and the date and extent of such review~~

The ARSC also walked through the comment letters received on the exposure draft of the proposed QM SSARS.

Open Discussion of Practice Issues

Ms. Kerber discussed a practice issue with respect to the lack of guidance on compilations and reviews of summary financial information. Ms. Kerber stated that the issue comes up frequently on common interest realty association (CIRA) and governmental engagements. Mr. Ard stated that he has never experienced the issue with respect to a review engagement. Mr. Manspeaker suggested that perhaps the concept of summary financial information is covered in certain AICPA A&A Guides and that those instances should be considered for potential inclusion of SSARSs guidance.

Mr. Glynn stated that he has received some recommended edits to the proposed Analytical Procedures Practice Aid and will consider those recommendations and circulate a revised draft.

Subsequent ARSC Meetings

The ARSC will meet via videoconference on May 17, 2022 – which is the week after the ASB's May 2022 meeting. If the ASB votes to issue the Quality Management Standards

at its meeting in May, the ARSC will consider voting to issue the QM SSARS at its meeting on May 17.