



**ACCOUNTING AND REVIEW SERVICES COMMITTEE (ARSC)**  
**Meeting Highlights**  
**May 18, 2022**  
**Videoconference (Zoom)**

**MEETING ATTENDANCE**

ARSC Members

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

AICPA Staff

Jennifer Burns, *Chief Auditor*  
Mike Glynn, *Senior Technical Manager—A&A Standards*  
Michael Jones, *Asst. General Counsel—General Counsel & Trial Board*  
Sherry Hazel, *Administrative Assistant—A&A Standards*  
Brian Wilson, *Director—A&A Standards*  
Seth Narr, *Intern—A&A Standards*  
Jordyn Joseph, *Intern—A&A Standards*

Note: This meeting was open to observers whose names are not listed.

**1. Chair's and Chief Auditor's Update**

Mr. Ard provided an update to the ARSC on his recent activities related to the ARSC and other matters of interest. Mr. Ard advised the ARSC that he and Ms. Burns will be presenting a joint ARSC/Auditing Standards Board (ASB) update at the ENGAGE Conference in June.

Mr. Ard stated that Mr. Jackson is unable to participate in the meeting due to an unexpected scheduling conflict.

Ms. Burns advised the ARSC that the AICPA is moving the content on its website to a new platform and that the content related to both the ARSC and the ASB is currently being migrated.

With respect to the ASB, Ms. Burns stated that the Board did approve the trio of proposed quality management standards at its meeting earlier in May.

Prior to the start of the regular meeting, Mr. Glynn announced that the meeting represents the final meeting for ARSC members Mr. Ard and Ms. Meyers. The ARSC thanked both for their dedication to the ARSC and the profession and wished them well with their future committee service.

**2. Approval of Highlights from February 2022 Meeting**

A motion was made by Mr. Bradshaw, seconded by Mr. Manspeaker, to approve the February 2022 ARSC meeting highlights as presented. The motion was unanimously approved.

**3. Quality Management**

Mr. Glynn advised the ARSC that it is requested to consider the draft proposed SSARS *Quality Management for an Engagement Performed in Accordance with Statements on Standards for Accounting and Review Services* (the "QM SSARS"), discuss any remaining issues with respect to the proposed

SSARS, and to vote to issue the proposed standard as a final SSARS. Mr. Glynn walked the ARSC through revisions made to the draft QM SSARS discussed at the meeting in February 2022.

#### Definition of *engagement partner*

Ms. Kerber asked whether, pursuant to the Council resolution regarding form organization, a non-CPA partner could take responsibility for a compilation engagement. As the Council Resolution states that there must be a CPA who has ultimate responsibility for all engagements performed in accordance with SSARSs, a non-CPA partner cannot assume ultimate responsibility for a compilation engagement. The ARSC directed that an application paragraph be added to reference to Appendix B of the AICPA Code of Professional Conduct. In addition, Mr. Glynn stated that he would confirm with the AICPA Professional Ethics Team whether the ARSC is correctly interpreting the Code.

#### Review documentation

The ARSC discussed the proposed revised review documentation requirements and directed that the proposed requirement be revised to include subparagraph c(i) as follows:

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

- a. Who performed the work and the date such work was completed
- 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 the review engagement is subject to an engagement quality review:***
  - i. the identity of the engagement quality reviewer for the engagement and the date and extent of such review, and***
  - ii. that the engagement quality review has been completed before the release of the accountant's review report***

#### Revision to reporting requirements for compilation and review reports

With respect to the proposed revision to require the written report to include the manual or printed signature of the accountant's firm, all of the ARSC members present agreed with the proposed revision. The ARSC members also agreed that the corresponding revisions to the illustrative reports in AR-C sections 80, *Compilation Engagements* and 90, *Review of Financial Statements* should be made as a maintenance revision to the standards so as to not add unnecessary and distracting language to the standard.

Mr. Manspeaker made a motion, seconded by Ms. Meyer, to approve the proposed revised standard as a final SSARS. The motion passed unanimously.

#### **4. Issue of “Clearly Trivial”**

Mr. Glynn led a discussion as to whether additional guidance is needed when an accountant performing a review engagement considers uncorrected misstatements that are *clearly trivial* and, if such guidance is necessary, the form it should take. After discussion, the ARSC directed that additional guidance should be added to the Guide, *Preparation, Compilation, and Review Engagements* (the SSARs Guide) that would build off the following guidance in paragraph .A40 of AR-C section 90:

**.A40** The accountant’s judgment about what is material in relation to the financial statements as a whole is the same regardless of the level of assurance obtained by the accountant as a basis for expressing a conclusion on the financial statements.

#### **5. Open Discussion of Practice Issues**

The objective of the discussion was to consider practice issues identified by ARSC members and those communicated to AICPA staff by other AICPA members and whether guidance should be developed and, if so, the form that such guidance should take.

Mr. Bradshaw led a discussion on how the term “engaged” in paragraph .01 of AR-C section 70, *Preparation of Financial Statements* is often misunderstood by accountants. Many accountants believe that AR-C section 70 is only applicable when the accountant obtains an engagement letter stating that the accountant has been engaged to prepare financial statements. The ARSC discussed that guidance may be appropriate to clarify that “engaged” refers to what the accountant has been “hired” to do and that failure to obtain an engagement letter is an engagement deficiency and not an indication as to what the accountant was engaged to perform. The ARSC will continue to monitor this practice issue and will discuss next steps at the next ARSC meeting.

The ARSC discussed a practice issue regarding paragraph .25b of AR-C section 90, *Review of Financial Statements*. Concerns were addressed that boilerplate analytical procedures and inquiries are being performed as accountants are not focusing procedures in areas where the accountant believes there are increased risks of material misstatements. Mr. Manspeaker stated that the proposed Analytical Procedures Practice Aid can focus accountants on the importance of risk awareness and provide guidance as to the accountant’s decision to perform additional or different procedures.

#### **6. Wrap Up**

The next ARSC meeting will be scheduled off line.