



ACCOUNTING AND REVIEW SERVICES COMMITTEE (ARSC)

Meeting Highlights

September 29, 2022

Videoconference (Zoom)

MEETING ATTENDANCE

ARSC Members

Michael Westervelt, *Chair*
W. Barclay Bradshaw
David Duckwitz
Douglas Koval
Michael Manspeaker
Sarah McConnell

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*
Andy Mrakovic – *Technical Manager – A&A Standards*

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

1. Chair's Update

Mr. Westervelt provided an update to the ARSC on his recent activities related to the ARSC and other matters of interest, including the recent meeting of the Chairs and staff liaisons of the ARSC, Auditing Standards Board (ASB), ASEC, Peer Review Committee, Professional Ethics Executive Committee, and Technical Issues Committee.

2. Approval of Highlights from May 2022 Meeting

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

3. Technical Correction to Effective Date of Statement on Standards for Accounting and Review Services (SSARS) 26, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*

Mr. Glynn led a discussion on a maintenance revision to the effective date of SSARS 26 to be consistent with the effective date for Statement on Auditing Standards (SAS) 146, *Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards*. Mr. Glynn explained that the previous effective date for SSARS 26 was an error. Since the ARSC's intent was to be consistent with SAS 146 the revision will be made as a maintenance revision and there is no need for an ARSC vote. SSARS 26 will now be effective for engagements for periods beginning on or after December 15, 2025. The ARSC members raised no issues with respect to the maintenance revision.

4. ARSC Operating Policies

Mr. Glynn led a discussion on the proposed revisions to the ARSC Operating Policies primarily for consistency with the ASB's Operating Policies, where appropriate. The ARSC directed that:

- With respect to the proposed Evaluation of ARSC Chair and Members document, under the "Accounting and Review Committee" section, Mr. Koval proposed, and Mr. Bradshaw concurred, to add a new criteria as follows:
 - g. Committee has effectively accomplished its mission serving the public interest, including considering its constituents and communicating its standard setting and other activities to accountants performing SSARS engagements.

The ARSC agreed with the addition.

- To avoid specificity, the ARSC directed that the reference to the *Financial Reporting Newsletter* be deleted as the staff has multiple vehicles available to communicate the status of ARSC and staff projects. Likewise, references to documents posted on the AICPA website should simply refer to aicpa.org as URLs may be changed and documents moved within the website.
- With respect to the guidelines for considering proposed requirement paragraphs in a draft standard, the requirements should be appropriate for *accountants performing SSARSS engagements* as opposed to *non-issuers in the United States*.
- References to the position held by Susan Coffey should be updated to reflect her current title.

After discussion, a motion was made by Mr. Manspeaker, seconded by Mr. Koval, to approve the revised ARSC Operating Policies. The motion passed unanimously.

Ms. Burns directed Mr. Glynn to advise the AICPA Audit and Attest Standards staff that is working on the ASB's Operating Policies document regarding the revisions directed by the ARSC so that corresponding revisions can be made to the ASB's document.

5. ARSC Strategic Planning/Brainstorming

Mr. Glynn led a discussion of practice issues identified through peer review and questions received to AICPA technical hotlines to determine whether any of the issues warrant standard setting or issuance of guidance (authoritative or non-authoritative). The following are the substantive issues discussed:

- Peer review identified that practitioners frequently fail to include the responsibility taken with respect to supplemental information in a separate paragraph in the practitioner's compilation or review report or in a separate report on the supplemental information. Mr. Manspeaker stated that while he would not be opposed to revisiting the reporting requirements, the ARSC needs to better understand the circumstances in which a practitioner would not report on supplementary information.
- Mr. Koval stated that perhaps the ARSC should consider issuing guidance with respect to updating the understanding with the entity (that is, the engagement letter) when engagement circumstances changes such as subsequent independence impairment in a compilation engagement.
- Mr. Bradshaw stated that the ARSC should create a decision tree or similar tool to assist members in determining whether AR-C section 70 applies.

The ARSC determined that a decision tree or similar tool to assist members in determining whether AR-C section 70 applies should be developed and issued in 2023.

6. Analytical Procedures Practice Aid

Mr. Glynn led a discussion of the current draft of the proposed Practice Aid, *Analytical Procedures in a Review Engagement*. Recognizing that the Practice Aid is non-authoritative, the ARSC suggested:

- The paragraph that precedes the section headed "Accountant's Understanding of the Entity and the Industry in Which the Entity Operates" regarding to the three factors that relate to the precision with which an expectation is developed be moved to the end of that section.

- In the section headed “Nature of the Account or Assertion” in the bulleted list of factors an accountant may consider in predicting the amount of an account, revise the second bullet as follows:
 - Consistency of items, **amounts**, or transactions in an account balance
- In the section headed up “Other Procedures”:
 - Delete the first two sentences which read “Unlike in an audit of financial statements, in a review engagement the accountant is not required to corroborate management’s responses to the accountant’s inquiries. In other words, in a review engagement, the accountant is able to accept management’s responses to the accountant’s inquiries as sufficient appropriate review evidence without obtaining support for those responses.”
 - Delete the wording “but less in extent” from the end of the sentence which, as revised, will read “Such other review procedures may be similar to those that would be performed in an audit of financial statements.”

After discussion, the ARSC concluded that it did not object to the issuance of the Practice Aid. Mr. Glynn stated that the goal will be to have the document issued prior to the end of the calendar year.

7. Wrap Up and Planning November 4, 2022 ARSC Meeting

Shortly after completion of the meeting, the ARSC determined to postpone the scheduled November 4, 2022 meeting. The meeting was rescheduled to January 10, 2023. The primary discussion topic will be the proposed decision tree with respect to the applicability of AR-C section 70.