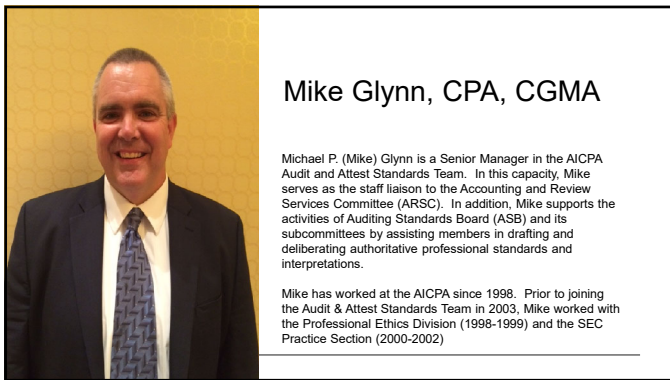
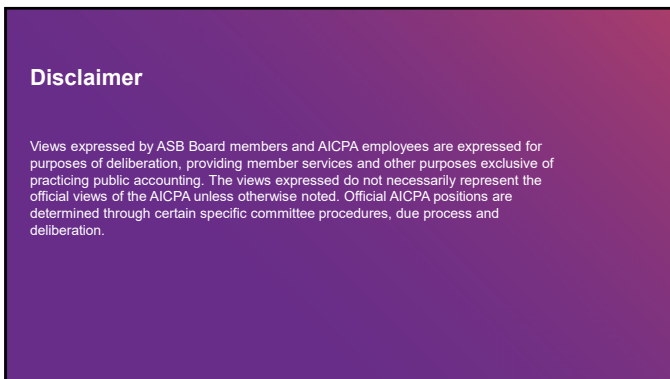


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Agenda

Introduction
Practitioner's responsibility for information that accompanies an entity's financial statements and the related report
Recently issued audit and quality management standards <ul style="list-style-type: none"> • Audit evidence • Accounting estimates • Use of specialists • Risk assessment • NOCLAR • Auditor reporting • Quality management • Amendments to AU-C section 935, <i>Compliance Audits</i> • Group Audits
Questions

4

ASB Mission and Members

The ASB is a senior committee of the AICPA designated by Council to issue auditing, attestation, and quality control standards and practice guidance.

19 ASB MEMBERS

Category	Count
Public Members and Users (e.g., CFO, Academia, Government)	5
Local, Regional, National & Global Firms	5
Big Four Firms	4
Individuals Representing State Regulators	5

5

New Standards Currently Effective

Standard	Description
SAs	
134	Auditor reporting and amendments
135	Omnibus – certain changes to conform to PCAOB standards
136	Auditor reporting on employee benefit plans
137	Other Information included in annual reports
138	Amendments to the description of materiality
139	Amendments to AU-C 800, 805, 810 for auditor reporting changes
140	Amendments to AU-C 725, 730, 935, and 940 for auditor reporting changes Amendments to AU-C 930
141	Deferral of effective dates for SAS 134-140
142	Audit Evidence

Early implementation permitted.

6

Effective dates of standards not yet in effect

Standard	Description	Effective date
SASs		Audits of financial statements for:
143	Auditing accounting estimates and related disclosures	Periods ending on or after December 15, 2023
144	Use of specialists and use of pricing information	
145	Risk assessment	Periods beginning on or after December 15, 2025
146	Quality Management for Engagements	
147	NOCLAR	Periods beginning on or after June 30, 2023
148	Amendments to AU-C 935, <i>Compliance Audits</i>	Split to be consistent with SAS 142 and with SAS 143, based on specific amendment
149	Group Audits	Audits of group financial statements for periods ending on or after December 15, 2026.

Early implementation permitted.

7

Effective dates of SQMS not yet in effect

Standard	Title	Effective date
SQMS		
1	<i>A Firm's System of Quality Management</i>	Design and implement SoQM by December 15, 2025 and perform evaluation of SoQM by December 15, 2026
2	<i>Engagement Quality Reviews</i>	(a) Audits or reviews of financial statements for periods beginning on or after December 15, 2025, and (b) other engagements in the firm's accounting and auditing practice beginning on or after December 15, 2025
3	<i>Amendments to QM Sections 10, A Firm's System of Quality Management, and 20, Engagement Quality Reviews</i>	

Early implementation permitted.

8

Practitioner Responsibility for Information That Accompanies an Entity's Financial Statements and the Related Report

9

SAS No. 137: Other Information

- Currently effective!!
- Supersedes AU-C section 720, *Other Information in Documents Containing Audited Financial Statements*
- Clarifies the auditor is required to apply procedures only to other information included in annual reports (or similar documents).
- Revises work effort to require the accountant to remain alert for information that is misleading, including because it omits or obscures information necessary for a proper understanding of a matter disclosed in the other information
- Requires a separate section be included in the auditor's report addressing OI

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Auditor Responsibility for Information That Accompanies an Entity's Financial Statements and the Auditor's Report

- Information accompanies an entity's financial statements and auditor's report is either:
 - Supplementary information
 - Required supplementary information (AU-C section 730)
- If SI:
 - Included in an annual report apply AU-C section 720
 - Engaged to opine on the SI in relation to the financial statements as a whole apply AU-C section 725
 - Not OI and not engaged to issue IRT opinion, no performance or reporting requirements but best practice to read and consider and consider issuing disclaimer

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Requirements Regarding Supplementary Information In SSARSS

- In a compilation or review, the practitioner is required to clearly indicate the degree of responsibility the practitioner is taking whenever supplementary information accompanies the financial statements and the practitioner's report.
- SSARSS allows for a separate report on the SI.

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Recently issued auditing standards SAS Nos. 142 - 149

13

SAS No. 142, Audit Evidence

- Addressing evolving nature of audit services
- Emerging tools and techniques, including data analytics
- Professional skepticism
- External information sources

ASB taking the lead; IAASB is closely monitoring.

Effective for periods ending on or after December 15, 2022

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SAS 142, Audit Evidence

Old objective:

- "The objective of the auditor is to design and perform audit procedures that enable the auditor to obtain sufficient appropriate audit evidence..."

New objective:

- "The objective of the auditor is to evaluate information to be used as audit evidence, including the results of audit procedures, to inform the auditor's overall conclusion about whether sufficient appropriate audit evidence has been obtained."

Audit Evidence
"Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence is information to which audit procedures have been applied and consists of information that corroborates or contradicts assertions in the financial statements."

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SAS 142, Audit Evidence

- Develops a framework for evaluating attributes of audit evidence to evaluate
 - Sufficiency and
 - Appropriateness
 - relevance and reliability (including its source)
 - Whether the information is corroborates or contradicts management's assertions
 - Whether the information is sufficiently precise and detailed

Sufficiency and appropriateness together affect the persuasiveness of audit evidence

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SAS 142, Audit Evidence – Sources

- Management 
- External information sources and other external parties 
- Auditor 

“Information to be used as audit evidence may be obtained directly or derived individually or in combination from different sources”

17

SAS 142, Audit Evidence Reliability

- Accuracy 
- Completeness 
- Authenticity 
- Susceptibility to Management's Bias 

“The reliability of information to be used as audit evidence is affected to varying degrees by the following attributes, individually or in combination”

18

SAS 142, Audit Evidence - Audit Procedures

"The auditor may use automated tools and techniques to process, organize, structure, or present data in a given context in order to generate useful information that can be used as audit evidence."

"An auditor may use automated tools and techniques to perform both a risk assessment procedure and a substantive procedure concurrently."

19

SAS 143, Auditing Accounting Estimates and Related Disclosures

- Issued July 2020
- Effective for audits of financial statements for periods ending on or after December 15, 2023
- Supersedes AU-C section 540
- Converges with ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*
- Addresses the auditor's responsibilities relating to accounting estimates, including fair value accounting estimates, and related disclosures in an audit of financial statements.

Effective for periods ending on or after December 15, 2023

20

SAS 143, Estimates: Fundamental Aspects

- Explains the nature of accounting estimates and the concept of estimation uncertainty
- Address scalability of the SAS for all types of accounting estimates, from relatively simple to complex
- Requires a **separate assessment of inherent risk and control risk**
- Includes risk assessment requirements specific to estimates and addresses the increasingly complex business environment and complexity in financial reporting frameworks
- Addresses the exercise of professional skepticism when auditing accounting estimates

Intended to enable auditors to appropriately address the increasingly complex scenarios that arise from new accounting standards that include estimates

21

SAS 143, Estimates: Fundamental Aspects


- Emphasizes that further audit procedures need to be responsive to the reasons for the assessed risks of material misstatement at the relevant assertion level
- Emphasizes the importance of the auditor's decisions about controls relating to accounting estimates by providing estimates-specific guidance on relevant requirements in other AU-C sections
- Requires the auditor to evaluate, based on the audit procedures performed and the audit evidence obtained, whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework.

Consistent with the risk assessment project to revise AU-C 315 currently in process

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SAS 144

- Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained From External Information Sources
 - Issued June 2021
 - Effective for audits of financial statements for periods ending on or after December 15, 2023
 - Adapts PCAOB Appendices on pricing sources
 - Provides additional guidance on the use of specialists, both auditor's and management's



23


SAS 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement

Why?

- Significant area of peer review findings
- Challenges related to the extent to which understanding of internal control is necessary
- Scalability concerns and challenges

Status

- Voted final August 2021
- Issued October 12, 2021
- Effective for audits of periods ending on or after December 15, 2023

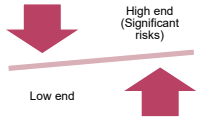


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SAS 145

Major areas of revision are

- Clarified work effort related to understanding each of the components of internal control, including enhanced guidance on information technology (IT)
- Concept of spectrum of risk



- Amended definition of significant risks

Significant risk:
An identified risk of material misstatement:

- For which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur, or
- That is to be treated as a significant risk in accordance with the requirements of other AU-C sections.

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SAS 145: Summary of Significant Changes


- Major areas of revision (cont'd)
 - 5 new inherent risk factors: subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud.
 - Requiring separate assessments of inherent and control risk
 - If no tests of controls are performed, RoMM = IR
 - Requiring for "sufficient, appropriate" evidence as basis for risk assessment
 - Stand-back requirement for material COTABDs not assessed as significant

Risk Assessment Auditing Guide being revised with focus on smaller, less complex entities.

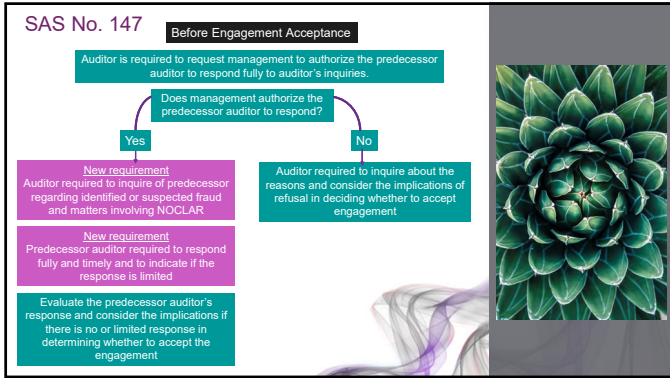
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SAS No. 147, *NsvznrxkLmjUwjihjxxtw% FzintwJlflwislKwzi%si% tshtuqfshj% \ymQf| x%siWjlzqfyt%sx*

- SAS No. 147 was issued in June 2022 in conjunction with changes to Code of Ethics and will be effective for audits of financial statements for periods ending on or after December 15, 2022.
- Addresses predecessor/successor communication around NOCLAR



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SAS No. 148, Amendments to AU-C section 935

- Amends AU-C section 935 to update the appendix and conform AU-C section 935 to reflect the issuance of the following SASs:
 - SAS No. 142, *Audit Evidence* (AU-C section 500)
 - SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (AU-C section 315)

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Statements on Quality Management Standards

- Statement on Quality Management Standards (SQMS) 1, *A Firm's System of Quality Management*
- SQMS 2, *Engagement Quality Reviews* (New!)
- SAS No. 146, *Quality Management for Engagements Performed in Accordance with Generally Accepted Auditing Standards*
- Related conforming amendments


Affects every firm that performs engagements in accordance with SASs, SSAEs or SSARS.

30

Key SQMS 1 Changes

Key aspects that clarify and improve existing SQSC include:

1. New **risk-based approach** focused on **quality management**
2. **Revised components** of the system of quality management
3. **New risk assessment process**
4. **More robust** leadership and governance requirements
5. **Enhanced** monitoring and remediation process
6. **New requirements** for networks and service providers




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Key SQMS 1 Changes from ED Proposals

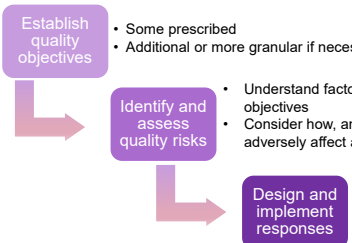
1. **Self-inspection**
 - The ED proposes a requirement that inspections be performed by someone independent of the engagement team.
 - Based on feedback, the ASB directed that self-inspection, while not optimal, would not be precluded.
2. **Cooling-off period for EQCR**
 - The ED proposes a requirement that the engagement partner have a two year cooling off period before becoming EQCR.
 - Based on feedback, the ASB directed that no cooling-off period be required.

Risk assessment and safeguards approach to be taken



32

SQMS 1: Risk Assessment Process



- Establish quality objectives**
 - Some prescribed
 - Additional or more granular if necessary
- Identify and assess quality risks**
 - Understand factors that may adversely impact achieving objectives
 - Consider how, and the degree to which, the factors may adversely affect achievement of quality objectives
- Design and implement responses**
 - Prescribed responses
 - Additional responses if necessary

33

SAS No. 146, Quality management for an engagement conducted in accordance with GAAS

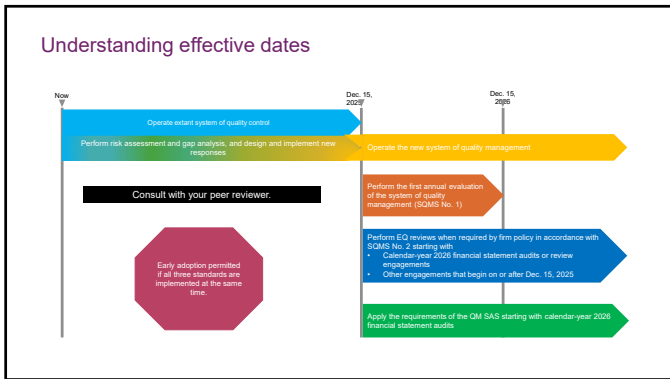
- Evolving use of varying audit delivery models
- Engagement team may be located together or across different geographic regions
- Revised definition of **engagement team** that includes partner, staff and **any other individuals** who perform audit procedures on the engagement, including those engaged by a network firm
- Requirements have been enhanced to recognize the use of technological resources in the audit

Modernizing for an evolving environment

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35



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How to get there from here



1. Develop a plan for implementation

- Who in the firm will own and lead the implementation process?
- What resources will be needed for successful implementation?
- Talk with your peer reviewer
- Determine how information will be documented
- Develop a timeline

37

How to get there from here



2. Plan a RA brainstorming session

- Determine which component(s) to address
- Determine the participants for this session
- Decide what tools you will use for the session: template, whiteboard, sticky notes...

38

How to get there from here



3. Hold a RA brainstorming session

- Set a time limit and stick to it.
- Focus on identifying and assessing the risks, not developing a response to the risks
- No formal ratings or score required
- Remember risk assessment is iterative and the firm may find more ideas with more experience

39

How to get there from here



3. Hold a RA brainstorming session

- Brainstorm identifying risks by area
- Think about what could go wrong from a quality perspective
- What has to happen for things to go right? What could stop those things from happening?
- Consider information the firm may have about current quality risks

40

How to get there from here



3. Hold a RA brainstorming session

- Assess identified risks for likelihood and magnitude to decide which risks are quality risks
 - Could be separate session
 - May take some iterations to get level right (not too granular or too high-level)
 - Do just enough to decide risk will warrant response and move on

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Quality Management Resources

• <https://www.aicpa.org/topic/audit-assurance/quality-management>

Brand name and presentation title

42

SAS No. 149: Group Audit Standard

- Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-To Auditors)
- Issued March 2023
- Supersedes AU-C section 600, *Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)*
- Clarify that all applicable AU-C sections need to be applied in a group audit
- Clarify and emphasize the interactions between group engagement team and component auditors

43

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SAS No. 149: Group Audit Standard

- Provides considerations for group auditor when component auditors are involved in each section of the proposed standard
- Revises entry point into AU-C 600 by revising definitions of *group financial statements* and *consolidation process*
- Introduces a principles-based, risk-based approach when component auditors are involved that focuses on identifying, assessing, and responding to the risks of material misstatement
- Establishes a framework for planning and performing a group audit, including
 - establishing the overall group audit strategy and group audit plan and involving component auditors throughout all phases of a group audit
- focuses the group auditor’s attention on identifying, assessing, and responding to the risks of material misstatement of the group financial statements.

Group financial statements: financial statements that include the financial information of more than one entity or business unit through a consolidation process.

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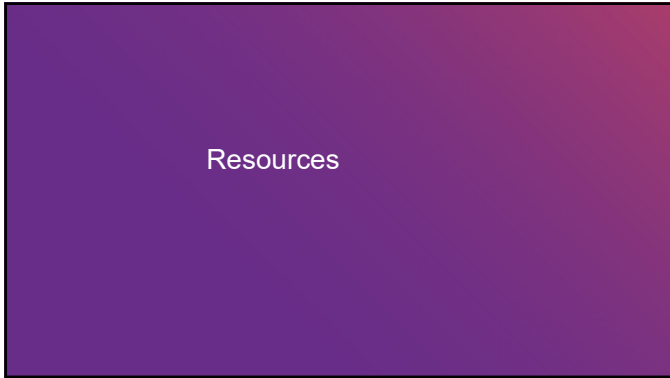
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SAS No. 149: Group Audit Standard

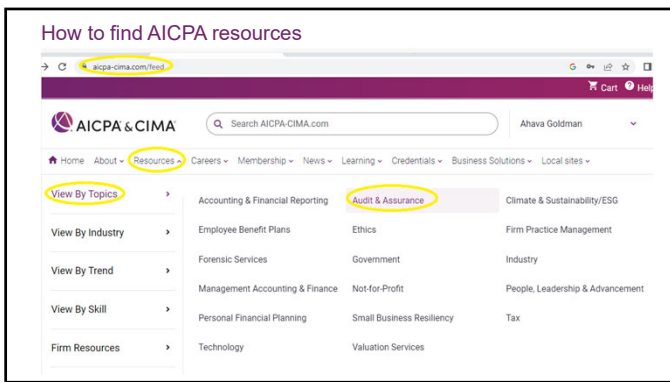
- Emphasizes the importance of professional skepticism regarding direction, supervision and review of component auditor’s work and evaluation of sufficient appropriate audit evidence
- Clarifies how to address restrictions on access to people and information
- Strengthens and clarifies
 - communications between the group auditor and component auditors, emphasizing the importance of two-way communications.
 - various aspects of the group auditor’s interaction with component auditors
- Includes all the paragraphs related to making reference together in one section within the SAS

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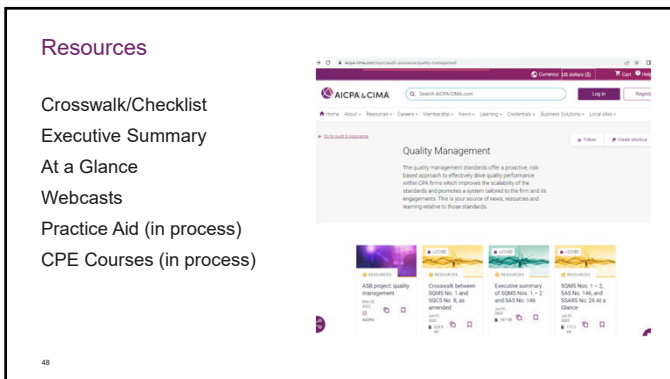
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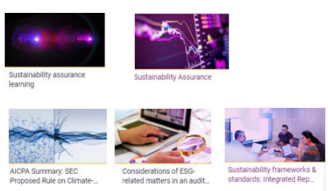
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Sustainability/ESG Resources

- <https://www.aicpa.org/category/resources/sustainability-esg>



Sustainability assurance learning

Sustainability Assurance

AICPA Summary: SEC Proposed Rule on Climate...

Considerations of ESG-related matters in an audit...

Sustainability frameworks & standards: Integrated Rep...

ESG reporting and attestation: A roadmap for audit practitioners


February 2023

Brand name and presentation title

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Helpful Information and Resources

- Auditing Standards Board information
<https://www.aicpa.org/interestareas/frc/auditattest.html>
- Authoritative standards for non-issuers (SASs, SSARs, SSAEs, SQCSs) as of June 1 are available at
<http://www.aicpa.org/RESEARCH/STANDARDS/Pages/default.aspx>
- AICPA Accounting and Auditing Technical Hotline
(877) 242-7212 - techinquiry@aicpa.org
<http://www.aicpa.org/Research/TechnicalHotline/Pages/TechnicalHotline.aspx>




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Questions?



The diagram features a central green hexagon labeled "Financial Reporting Center". It is surrounded by five other hexagons: a yellow one for "Accounting & Financial Reporting", a blue one for "Compilation", an orange one for "Review", a blue one for "Audit & Attest", and a green one for "Assurance & Advisory Services".

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Thank you

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