



perspective
GAINED

RECENT DEVELOPMENTS IN AUDITING RULES

How they affect your life

2019 WHAT'S NEW IN NEW ENGLAND BANKING WORKSHOP

MAY I INTRODUCE – THE AUDITING STANDARDS BOARD?

- Establishes rules for audits of:
 - Companies that aren't SEC registrants
 - Not-for-profit organizations
 - State and local governments
 - The federal government
- Sponsored by the American Institute of CPAs
- Authority derived from state board of accountancy laws and regulations

MAY I INTRODUCE – THE AUDITING STANDARDS BOARD?

- 19 merry souls:
 - Chair – Grant Thornton
 - Reps from each Big 4 accounting firm
 - Five reps from state boards of accountancy
 - Others – BDO, RSM, smaller CPA firms, GAO, Intel, state government, academia

SO WHAT HAVE THEY BEEN UP TO?

- Audit reports
- ERISA audits
- Attestation engagements
- Audit evidence
- Estimates
- Risk assessment
- Quality control



AUDIT REPORTS

- Will be longer – you're welcome!
- Opinion comes first
- Auditor's ethical responsibilities
- Key audit matters – at least in theory

AUDIT REPORTS

- Going concern:
 - Management's responsibility
 - Auditor's responsibility
 - Substantial doubt (if applicable)
- Auditor's responsibility with respect to the annual report

ERISA AUDITS

- Generally required if your institution's retirement plan has > 100 participants
- Specific guidance for auditors on how to audit these plans
- "Limited scope" audits – changed from:
 - No opinion (disclaimer) to
 - Two opinions!
- Report findings in writing

ATTESTATION ENGAGEMENTS

- These involve reporting on information other than financial statements
- Examples:
 - Forecasts and projections
 - Service organization controls (SOC 1, SOC 2)
 - Compliance with laws and regs (USAP)
 - Sustainability information



ATTESTATION ENGAGEMENTS

- Levels of service:
 - Examination
 - Review
 - Agreed-upon procedures

ATTESTATION ENGAGEMENTS

SO WHAT'S NEW?

- No assertion needed
- AUP – parties don't need to acknowledge sufficiency of procedures for their purposes
- Can be general use reports

AUDIT EVIDENCE

- It's a brave new world!
 - Blockchain
 - AI
 - Machine learning
 - Drones
- Change in focus from:
 - Procedures performed to
 - Persuasiveness of evidence obtained

ESTIMATES – “THE CECL STANDARD”

- Requires more disciplined evaluation of estimates, by:
 - Evaluating management’s process,
 - Developing the auditor’s own estimate, or
 - Reviewing subsequent events
- Examples:
 - CECL
 - Fair value of investment securities
 - Goodwill evaluation
 - Share-based compensation



RISK ASSESSMENT

- Understand the client, including internal control:
 - Identify and assess
 - Inherent risk
 - Control risk
- Develop procedures to respond to risks identified

QUALITY CONTROL

- New term – quality management
- Risk assessment required – we'll feel some of your pain!
- More specific requirements related to engagement quality review



Questions

TRACY HARDING

Principal
tharding@berrydunn.com
207.991.5114