



At a glance

From the Audit & Attest Standards Team

Revisions to Review Standard for Consistency with Other Professional Standards

What happened?

In February 2020, Statement on Standards for Accounting and Review Services (SSARS) No. 25, *Materiality in a Review of Financial Statements and Adverse Conclusions* was issued. SSARS 25 amends AR-C sections 60, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*; 70, *Preparation of Financial Statements*; 80, *Compilation Engagements*; and 90, *Review of Financial Statements*.

SSARS 25 further converges AR-C section 90 with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* and minimizes differences with the auditing standards regarding concepts that are consistent regardless of the level of service performed on the financial statements.

Explicit requirement to determine materiality

SSARS 25 includes an explicit requirement for the accountant to determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and evaluating the results obtained from those procedures. The standard also requires the accountant, in obtaining sufficient appropriate review evidence as a basis for a conclusion on the financial statements as a whole, to design and perform the analytical procedures and inquires to address all material items in the financial statements, including disclosures.

The Accounting and Review Services Committee (ARSC) does not believe that this revision will result in a significant change in practice because the accountant has always had to have an understanding of materiality in order to conclude (as stated in the accountant's review report), that the accountant is not aware of any *material* modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework.

Allow for the expression of an adverse review conclusion when financial statements are materially and pervasively misstated

Prior to the issuance of SSARS 25, the accountant was prohibited from modifying the standard report to include

a statement that the financial statements are not in accordance with the applicable financial reporting framework (that is, an adverse conclusion). ISRE 2400 (Revised) provides for the issuance of an adverse conclusion.

ARSC concluded that it was not in the public interest to prohibit the expression of an adverse conclusion when the accountant is aware that the financial statements are materially and pervasively misstated. Although the accountant may withdraw from the engagement, users of the financial statements may not then be made aware of such misstatements.

SSARS 25 includes an illustrative accountant's review report including an adverse conclusion.

Required statement regarding independence in the accountant's review report

SSARS 25 includes a requirement that the accountant's review report include a statement that the accountant is required to be independent of the entity and to meet the accountant's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the review. Such a statement is consistent with the statement required in the auditor's report in accordance with Statement on Auditing Standards No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*.

Next steps?

SSARS 25 is effective for engagements performed in accordance with SSARSs for periods ending on or after December 15, 2021. Early implementation is permitted.

SSARS 25 is available for practitioners to read and consider in order to adequately prepare for implementation, and can be viewed on the AICPA's website under [clarified preparation, compilation and review standards](#).

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