

# Reviewer alert

## October 2021

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### October Peer Review Board Meeting Update

On October 6, the Peer Review Board (PRB) met and discussed various topics including:

- The reviewer alert related to assessing noncompliance with SAS Nos. 134-140 and SSARS No. 25 as shown below
- The upcoming DOL audit quality study
- Various task force activities and projects, including revised administering entity benchmarks

#### *Meeting Highlights*

Summaries of other items discussed are included in the meeting highlights which will be available shortly on the AICPA's peer review web site. Any questions about the meeting highlights can be directed to [Peer Review Staff](#).

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### Reminder - Clarified AICPA Standards for Performing and Reporting on Peer Reviews Exposure Draft!

Don't forget to read and respond to peer review's [recently published exposure draft](#) that clarifies and reorganizes peer review program guidance.

Approved at the PRB's September 2 meeting, the exposed proposal intends to make peer review guidance easier to read, understand and apply, not necessarily to change existing standards. For the few changes to existing standards that the proposal includes, the exposure draft contains specific requests for comments from respondents.

Other important items of note:

- The comment period ends on December 15, 2021.
- The proposed effective date is for peer review commencing on or after May 1, 2022. Early implementation will not be allowed as proposed.
- Comment letter templates and mapping documents that show how existing guidance maps to the proposal included in the exposure draft are available through the above link.

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### **AICPA.org: Fresh features. Expanded resources. Endless possibilities.**

For many of its member sections, the AICPA has launched a [new and improved web platform now live via AICPA.org](#). Designed using member research and feedback, it's easier to navigate and customizable. There's no need to create a new account – you can log in with the username and password you already use to access your account online. Set your preferences to improve your overall AICPA experience, bookmark your most-used resources and personalize the newsfeed to stay current on critical issues.

The new site will continue to evolve as we add other key areas but will redirect you to Peer Review, Ethics and other content still available on our legacy site where appropriate. Your existing bookmarks for the legacy site will automatically re-direct to the appropriate pages or files that now use the new extension “us.aicpa.org.” If you do not already have bookmarks, you may want to add the Peer Review home page: <http://us.aicpa.org/peerreview> for future reference.

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### **What's New in the Peer Review Program Manual (PRPM) – October 2021 Update**

The October 2021 PRPM Update will be available on the [peer review web pages](#) and in the Online Professional Library (OPL)\* to subscribers by the end of October. PDF or excel documents will have a “October 2021” date on the top. The update will be effective for reviews commencing on or after November 1, 2021.

The update will reflect:

- Updates to most audit checklists, all SSARS checklists, the financial reporting and disclosure checklist and PRP 22080 *Supplemental Checklist for Review of Audits of For-Profit HUD Engagement* (see webpages and OPL for specifics) for SAS Nos. 134-140 and SSARS No. 25 guidance, enhancements to ASC 606 related questions, and other improvements.
- Updates to PRPM 3600 *Guidance for Writing Letters on Corrective Actions and Implementation Plans by Outside Parties* as it relates to independence matters, as referred to in the [September Reviewers Alert article](#) titled “*Impact of Coronavirus Delays on a Reviewer's Independence and Performing Corrective Actions and Implementation Plans.*”
- The addition of an excel version of the PRP 24150 *Risk Assessment Tool* in the System Review Practice Management Toolkit.
- The conversion of PRP 21300 *SEC-Registered Broker-Dealer Audit and Attest Engagements Checklist* into PRP 21300 *Supplemental Checklist for Review of Agreed-Upon Procedures*

*Related to the Securities Investor Protection Corporation (SIPC) Assessment Reconciliation for Broker Dealers, due to decisions from the [May 2021 Peer Review Board \(PRB\) meeting](#) related to SEC registered broker-dealer engagements.*

- The discontinuation of PRP 22500 IFRS Financial Reporting and Disclosure Checklist. Other resources should be utilized when performing reviews of IFRS engagements.

#### New Look for the PRPM Web pages

With the October update, PRPM documents will be accessible on the peer review webpages from *only* zip files. A PDF table containing PRPM section numbers and titles, with month last modified dates, will also be accessible. This new look will streamline presentation of the PRPM. This approach is consistent with how other documents, such as the practice management toolkits, are already presented.

As a reminder, reviewers are expected to consider alert articles and consult the PRPM resource of their choice (peer review web pages or OPL) for news about updated peer review guidance and materials, prior to commencing a peer review.

#### Next PRPM Update:

The next update is currently scheduled for Spring 2022.

\* Access OPL by visiting the purchases tab under your profile when you log into [future.aicpa.org](http://future.aicpa.org)

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### **Evaluating Peer Review Implications of SAS Nos. 134-140 and SSARS No. 25 Implementation Issues**

Peer Review Staff is anticipating many questions about how to assess potential noncompliance with SAS Nos. 134-140 and SSARS No. 25 during a peer review, particularly as it relates to firm implementation. As with most instances of noncompliance, peer reviewers:

- evaluate the specific circumstances of noncompliance with these professional standards on each peer review, both individually and in the aggregate, to determine whether to deem an engagement nonconforming.
- consider whether a user, who would reasonably expect to rely on the financial statements, would be affected by noncompliance with the suite of new standards (this requires judgment as it is not expected for reviewers to be intimately familiar with all potential users of specific financial statements).

The PRB recognizes that each peer review is unique and that reviewers need to exercise professional judgment when forming conclusions. In any case, the peer review standards require reviewers to consider identified issues individually and, in the aggregate, and to clearly document the basis of conclusions reached.

As with any new standard, a complete failure to implement is generally deemed non-conforming in either a system review or an engagement review. When such instances are identified in a system review, the reviewer will need to consider applicable peer review standards and

determine the systemic cause to assist the reviewed firm with appropriate remediation in its system of quality control.

Although not all-inclusive, the following table includes examples that illustrate single instances of noncompliance with these new standards that do not always result in nonconforming engagements. As mentioned previously, the reviewer should consider whether multiple issues on the same engagement, such as in the examples below, would result in a nonconforming engagement.

<b>Scenario</b>	<b>Nonconforming</b>	<b>Comments</b>
The auditor did not place the opinion section first, followed by the basis for opinion section as required by SAS No. 134.	No	A reasonably expected user would not be misled by the report not being in the same order as prescribed by SAS No. 134.
The auditor did not include the independence statement in the Basis for Opinion as required by SAS No. 134.	No	Although the Basis for Opinion paragraph is new and the independence statement is required under SAS No. 134, if “independent” is included in the report title, a reasonably expected user would not be misled by the missing language.
The report does not include expanded language regarding management and auditor’s responsibilities for the financial statements as required by SAS No. 134.	No	A reasonably expected user would not be misled by the missing language.
Auditor did not follow updated requirements of SAS No. 134 by including language related to the entity’s ability to continue as a going concern in a separate section entitled “Substantial Doubt About the Entity’s Ability to Continue as a Going Concern.” Rather, the auditor included the language in the Emphasis of Matters section. All required language was present.	No	A reasonably expected user would not be misled by the incorrect section heading.
The firm did not include a statement that the accountant is required to be independent of the entity in accordance with SSARS No. 25. However, the accountant did include “Independent” in the title of the report.	No	Even though the accountant should include this statement, a reasonably expected user may not be misled since the term “Independent” was included in the title.

Scenario	Nonconforming	Comments
The firm did not include section headings in the accountant’s report as required by the SSARSs (No. 21 or No. 25)	No	As section headings have been required for a number of years, a reasonably expected user may not be misled if the headings were missing.

As with all standards, reviewers may encounter variations in application that comply with SAS Nos. 134-140 and SSARS No. 25. The PRB recommends for reviewers to avoid basing a “no” answer on a personal preference; rather, identify and document unreasonable judgments that lack support under professional standards. The [Issue Advisory Hotline](#) is another recommended resource that may be utilized if you have any disagreements with your peer review clients about whether SAS Nos. 134-140 and SSARS No. 25 (or any other accounting and auditing standard) were properly complied with in all material respects.

You can also contact the [A&A Technical Hotline](#) with any questions you have about whether an engagement you are reviewing complies with professional standards in all material respects. Finally, as in all system reviews, regardless of whether the engagement is determined to be nonconforming, peer review standards require the team captain to evaluate the pervasiveness of the implementation issues and the systemic cause in determining whether the matter should be elevated to a finding or a deficiency. For an engagement review, if the implementation issues cause the selected engagement to be considered nonconforming, the issue should be documented in the peer review report as, at a minimum, a deficiency. If the engagement is not determined to be nonconforming, the review captain should determine if the implementation issues should be elevated to a matter or a finding, based on the significance of the issues identified.

Peer reviewers of employee benefit plan audit engagements should be on the lookout for an upcoming reviewer alert that specifically discusses assessing noncompliance with SAS No. 136.

*Peer Review Risk Assessment Guidance – Considerations Given the Supplemental Guidance no longer applies*

As stated in the previous Reviewer alert, for peer reviews commencing after September 30, 2021, you should follow normal peer review guidance (NOT the guidance that has existed in the [Supplemental Guidance](#) section of the Peer Review Program Manual) as it relates to the evaluation of noncompliance with the risk assessment standards (AU-C section 315, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, or 330, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained).

As a reminder, the previous supplemental guidance essentially capped identified instances of noncompliance with the risk assessment standards as findings for further consideration and required RABs to issue implementation plans.

Now, depending on the facts and circumstances of the peer review (such as the nature and pervasiveness of any identified noncompliance), deficiencies or significant deficiencies may be

warranted when noncompliance with the risk assessment standards has been identified. In short, these instances of noncompliance should be evaluated and assessed similarly to any other identified instances of noncompliance identified during the peer review. Additionally, implementation plans would not necessarily be required for any documented findings describing risk assessment non-compliance.

It is important to remember, however, that if an auditor fails to comply with the requirements of the risk assessment standards then the objectives of these standards would not be met. Accordingly, the audit would not be conducted in accordance with GAAS and the auditor would fail to obtain sufficient appropriate audit evidence to support the audit opinion. Therefore, reviewers in these situations would likely find it difficult to conclude that such an engagement conforms with professional standards in all material respects from a peer review perspective and would likely need to consider the audit non-conforming.

Your objective is to determine whether the firm met the requirements outlined in the Risk Assessment Standards. It is not necessary to determine that all the engagements' forms and practice aids were completed 100% correctly. Even if certain practice aids are not completed 100% correctly, firms may be able to evidence compliance with the requirements through other means.

You should have thorough conversations with your peer review clients to determine if they met all the requirements, including the documentation requirements.

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### **Quick hits**

*2021 Peer Review Conference cases are now available!*

If you are interested in downloading the conference cases from 2021 Peer Review Conference, they are now available on the peer review website! Access the [engagement review cases](#) (and [solutions](#)) or the [system review cases](#) (and [solutions](#)) in one convenient location!

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