

Reviewer alert

September 2022

This edition of the Reviewer alert contains the following articles:

[Next PRPM Update Expected in October](#)

[Acceptance of manual vs. electronic signatures in Peer Review](#)

[Root Cause Analysis Tool with Fishbone Diagram](#)

[Noncompliance with Materiality Requirement in a Review Engagement](#)

[Quick Hits](#)

Next PRPM Update Expected in October

The next PRPM update will be available by late October 2022 on the [peer review web page](#) and in the Online Professional Library (OPL)* to subscribers. The updates will be effective for reviews commencing on or after November 1, 2022. Monitor PRIMA announcements for when and where more details will be available.

* Access OPL by visiting the purchases tab under your profile when you log into [aicpa.org](#).

[Back to Top](#)

Acceptance of manual vs. electronic signatures in Peer Review

A recurring question at the 2022 Peer Review Conference was related to the appropriateness of electronic signatures on various peer review documents such as peer review reports, firm representation letters and firm letters of response.

The new clarified peer review standards do not explicitly require a “manual” signature, but peer reviewers should be aware of the risks associated with electronic signatures, some of which are outlined in a recent [Journal of Accountancy article](#).

[Back to Top](#)

Root Cause Analysis tool - Fishbone diagram

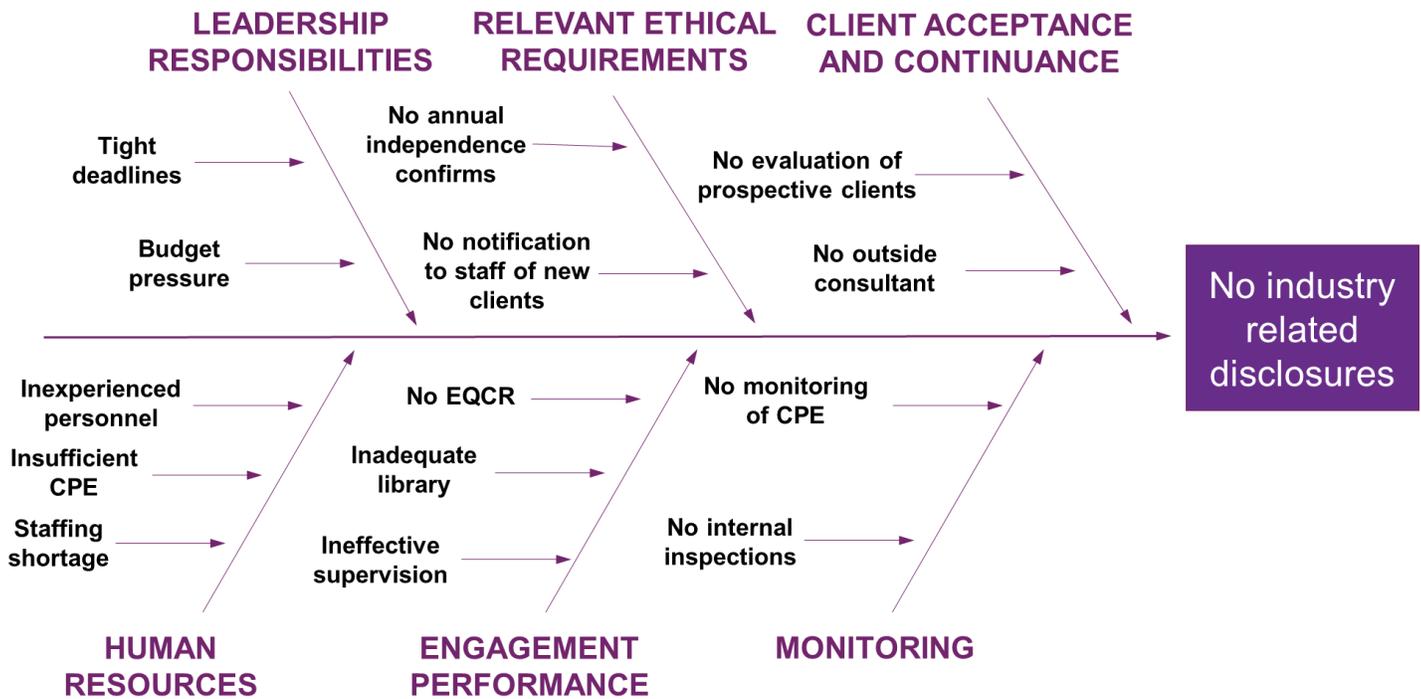
Attendees at the 2022 Peer Review Conference session, *Identifying and Writing Systemic Causes*, were introduced to a widely used tool to determine root causes, the fishbone diagram. As a continuation of that discussion, we are pleased to announce that a new fishbone diagram example is now available that has been tailored for use in peer review.

The fishbone diagram is a visual way to organize cause-and-effect relationships into categories. The peer review matter is placed at the “head” of the fish and the six required elements of quality control appear at the ends of the “bones.” Then, each of the “bones” is taken one at a time and potential causes are identified through questioning and brainstorming (e.g., why did

this matter happen, what went wrong in the system of quality control that did not allow this matter to be caught and corrected). Once all causes are listed, they can be reviewed and eliminated using professional judgement to determine the most likely systemic cause(s), investigate further, as needed, to confirm the actual systemic cause(s). This encourages a holistic look at what in the firm's system is causing the issues and where to focus corrective action to prevent recurrence.

Please note the example is designed to help peer reviewers see how the diagram could be used to determine a systemic cause for issues identified during a peer review. The items included in the example are not designed to be all encompassing and conversely, may not be relevant to every peer review.

We want to hear from you! If you have a resource you would like to see addressed, e-mail prptechnical@aicpa.org and let us know.



[Back to Top](#)

Assessing Noncompliance with Materiality Requirements for Review Engagements

Generally speaking, if a firm does not determine materiality for the financial statements in a review engagement or does not apply the established materiality when designing the review procedures or evaluating the results of those procedures, the review engagement would likely need to be considered non-conforming from a peer review perspective, regardless of whether a system review or engagement review is being performed.

SSARS No. 25, *Materiality in a Review of Financial Statements and Adverse Conclusions*, explicitly established the following requirements for a review engagement conducted in accordance with AR-C section 90, *Review Engagements*:

- The accountant should 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 accountant should revise materiality for the financial statements as a whole if the accountant becomes aware of information during the review that would have caused the accountant to have determined a different amount initially.

These explicit requirements will not likely 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.

As a reminder, AR-C Section 90 requires that the accountant should prepare review documentation in a timely manner that is sufficient to enable an experienced accountant, having no previous connection to the review, to understand:

- a) The nature, timing, and extent of the review procedures performed to comply with SSARSs
- b) The review evidence obtained from the review procedures performed and the accountant's conclusions formed on the basis of that review evidence
- c) Significant matters arising during the review, the accountant's conclusions reached thereon, and significant professional judgments made in reaching those conclusion

Given that how a firm documents the materiality determination may vary significantly from firm to firm, peer reviewers, as always, need to avoid basing a "no" answer on a personal preference. Rather, reviewers need to use their professional judgment to identify and document unreasonable judgments made by the firm that lack support under professional standards. The Issue Advisory Hotline and A&A Technical Hotline are recommended resources that may be utilized if you have any questions about whether your peer review clients complied with SSARS No. 25 (or any other accounting and auditing standard).

[Back to Top](#)

Quick Hits

Register for the Upcoming Peer Reviewer Forum

Join us for the next edition of Peer Reviewer Forum on November 14, 2022 from 1-2pm ET. Among other items, Alan Long, former PRB and ASB member, will cover ways you can start helping your peer review clients get ready for the Quality Management standards!

Please email prptechnical@aicpa.org to let us know any other topics you'd like covered.

Register for the [Free \(no CPE\) Webcast](#) or the [Paid \(CPE\) Webcast](#). We look forward to "seeing" everyone!

Clarity Standards Peer Reviewer Reference Guide

To assist you in performing peer reviews under the Clarified Standards, a reference guide of significant changes to remember from the peer reviewer perspective is now available on the [peer review website](#)! Any feedback related to the guide is certainly welcome.

Reminder of Changes in PRIMA for Clarity

As a quick reminder, there are not significant changes in PRIMA due to Clarity as the changes consist primarily of updating references to guidance and occurred in June. The most significant change for peer reviewers is that Matters for Further Consideration (MFCs) on engagement reviews must be elevated on the Disposition of Matter for Further Consideration (DMFC) to a Finding for Further Consideration (FFC) or included as a deficiency in the peer review report; however, that change will occur in Q4 of 2022.

Resources from the 2022 Peer Review Conference

Check out the following links for resources from the 2022 Peer Review Conference:

- [Archived sessions](#) - Log back into aicpaconferences.com, locate the event under "My Account" and select the "Archives" page
- [System Review](#) and [Engagement Review](#) Conference Cases and Solutions
- [Questions and answers](#) submitted by attendees

New quality resource for firms!

We are pleased to announce that the new [Are You Ready for Your Peer Review?](#) course is now available online.

The webcast will help your peer review clients gain an understanding of the peer review process and identify ways to prepare for their next peer review by:

- comparing the process for undergoing a system review with that of an engagement review and address recent peer review guidance impacting both
- reviewing the required elements of quality control and the impact they have on firms.
- discussing the most common areas of non-compliance with professional standards uncovered by peer reviewers and how to prevent them.

You may wish to share this resource, where appropriate, with your peer review clients to better understand the peer review process and to prepare for their peer reviews.

Get ready for the new quality management standards

Firms with A&A practices need to understand the new quality management standards and how to implement the move from a quality control system to a quality management system. [Register for this Oct. 14 roundtable](#) (free, no CPE) with members from the Quality Management Task Forces and get your questions answered.

[Back to Top](#)