



September 20, 2019

Mr. Mike Glynn  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

**Re: ARSC June 19 Proposed Statement on Standards for Accounting and Review Services: *Materiality in a Review of Financial Statements, Adverse Conclusions, and Special Purpose Frameworks***

Dear Mr. Glynn:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

TIC appreciates the effort of the Accounting and Review Services Committee (ARSC) to make the SSARs literature closely converged with ISRE 2400 (Revised) to facilitate the accountant's ability to perform and report on engagements in accordance with both sets of standards.

***Request for Comment 1:*** *Please provide your views on the proposed requirements for the accountant to inform management of its reasons for withdrawing when the accountant intends to withdraw from the preparation engagement. Do you believe that the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?*

TIC agrees with the proposed requirement to inform management of the reasons for withdrawing from a preparation engagement. However, TIC believes the application material appears to go into too much detail and in some cases provides redundant information that makes the standard lengthy without adding pertinent information necessary to performing a preparation engagement. As an example, paragraph A14 states the following:

In circumstances addressed by the requirements of this section in which withdrawal from the engagement is necessary, the responsibility to inform management of the reasons for withdrawing provides an opportunity to explain the accountant's ethical obligations.

TIC believes that explanations such as this may not be necessary to understand the requirements. Perhaps the elimination of material such as this could shorten the standard and therefore make it easier to read and apply in practice.

***Request for Comment 2:*** Please provide your views on the proposed definition of limited assurance and whether you believe that defining the term will assist practitioners in planning and performing high-quality review engagements. If you believe that the proposed definition is not sufficient or is inappropriate, please provide your thoughts about how limited assurance should be defined.

TIC believes the proposed definition of limited assurance is difficult to read and will lead to confusion as to the meaning. TIC does not believe the proposed definition will lead to higher quality review engagements. A possible revision to the definition might read as follows:

*Limited assurance.* A level of assurance, based primarily on inquiries of management, the performance of analytical procedures, and the reading of the financial statements, including the related disclosures, to provide the accountant evidence in order for the accountant to conclude whether they are aware of any material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework. The level of assurance obtained in limited assurance is substantially less than that obtained in an audit.

TIC believes the application guidance in paragraph A5 appears to emphasize the quantity of evidence over the quality of evidence obtained. TIC believes this should be revised to emphasize the quality of evidence.

***Request for Comment 3:*** Please provide your views on the proposed explicit requirement for the accountant to plan and perform the review with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Do you believe that the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?

TIC believes that professional skepticism is built into the existing professional requirements. Having it defined and as a requirement serves as a reminder of our responsibilities. However, TIC believes the additional application material does not appear necessary to understanding the requirement. As an example, paragraph A13 may be adequate to explain the application of professional skepticism without adding additional verbiage to the standards.

***Request for Comment 4:*** Please provide your views on the proposed explicit requirement for the accountant to determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures. Do you believe that the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?

*Additionally, please provide your views on the proposed requirement for the accountant to design and perform analytical procedures and inquiries to address all material items in the financial statements, including disclosures.*

TIC agrees with the requirement to determine materiality for the financial statements as a whole and the proposed requirement for the accountant to design and perform analytical procedures and inquiries to address all material items in the financial statements, including disclosures.

Paragraph A33 states that the determination of materiality is a matter of professional judgement and is affected by the accountant's perception of the needs of the intended users of the financial statements and that it is reasonable to assume that users will understand that financial statements are prepared, presented, and reviewed to levels of materiality.

TIC believes it may be helpful to some practitioners to provide additional application guidance regarding the considerations and calculation of materiality to be used in designing review procedures and evaluating the results of those procedures, particularly explaining how it is similar to or varies from materiality in an audit.

TIC also believes that some additional illustrations and examples on how to apply materiality to the design and performance of review procedures would be helpful.

TIC agrees that the accountant should design and perform analytical procedures and inquiries to address all material items in the financial statements, including disclosures.

***Request for Comment 5:*** *Please provide your views on the proposed additional required inquiries of members of management who have responsibility for financial and accounting matters concerning the financial statements.*

TIC agrees with the proposed additional required inquiries of members of management and believe they will add to the quality of the review engagement. However, TIC believes including the additional requirements in paragraphs .32 through .38 may be more easily understood if they were included in paragraph .29.

***Request for Comment 6:*** *Please provide your views on the proposed additional required procedures with respect to the accountant's consideration of related parties in a review of financial statements.*

Paragraph 29, as drafted, includes requirements to make inquiries regarding related party transactions. The additional language in paragraph 32 is somewhat repetitive in that it says the accountant should remain alert for related party relationships or transactions. TIC believes it may increase the understandability of the requirements if paragraphs .29 and .32-.33 were combined.

***Request for Comment 7:*** Please provide your views on the proposal to permit the accountant to express an adverse conclusion for an engagement performed in accordance with AR-C section 90 when he or she determines, or is otherwise aware, that the financial statements are materially misstated and the effects of the matter or matters are both material and pervasive to the financial statements.

*Also, please provide your views regarding whether the reasons to permit an adverse conclusion in accordance with AR-C section 90 are consistent with the reasons to permit an adverse conclusion in accordance with AT-C section 210.*

TIC is in agreement with the proposal to permit the accountant to express an adverse conclusion. TIC believes the reasons to permit an adverse conclusion appear consistent with AT-C 210.

***Request for Comment 8:*** Please provide your views on the proposed additional required documentation in a review of financial statements.

TIC is generally in agreement with the additional documentation requirements proposed in a review engagement, with the exception of the matters required to be communicated in items c and e of paragraph .113 which require communications with management, or those charged with governance, regarding significant matters arising during the engagement as well as how information that was inconsistent with the accountant's findings was resolved. Additional inquiries, or other documentation, should be documented in the accountant's procedures. Requiring written communications to management, or others, regarding these matters doesn't provide additional useful information or add to the quality of the review. In addition, this could lead to significant amounts of information being provided that is of little useful information. TIC is also concerned that certain communications would become "boiler plate" and not add additional value to the review engagement.

***Request for Comment 9:*** Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.

TIC in agreement with the proposed effective date for engagements performed in accordance with SSARs on financial statements for periods ending on or after June 15, 2021. TIC agrees that early implementation should be permitted.

***Request for Comment 10:*** Respondents are asked to comment on whether they believe that AR-C section 90 should be revised to include explicit reporting requirements and guidance with respect to correction of a material misstatement in previously issued financial statements. If so, respondents are further asked to comment on the appropriateness of the requirements and associated application guidance suggested.

TIC believes AR-C 90 should include reporting requirements and guidance in reporting a correction of a material misstatement in previously issued financial statements.

TIC appreciates the opportunity to present these comments on behalf of PCPS Member firms.  
We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Danielle Supkis-Cheek, Chair  
On Behalf of the PCPS Technical Issues Committee