

**PRP Section 1000  
Mapping Document**

This mapping document is intended to serve as a resource for readers of the Exposure Draft for the Clarification of AICPA Standards for Performing and Reporting on Peer Reviews and demonstrates that material in extant PRP section 1000 has been evaluated and reflected in the clarified PR-C sections. The wording of extant PRP sections has been redrafted using conventions of the clarity project so that language is more concise and less prescriptive. For example, sentences and paragraphs that contain lead-ins, repetitive content, overviews, examples, or citations of requirements in other standards may not be included in the PR-C sections. As such, material that the Standards Task Force (STF) proposed to be eliminated as part of clarifying the standards has been noted as removed in the “Explanation” column and the most significant changes are directed to further explanation in the explanatory memorandum of the exposure draft. The STF believes that the material included in the PR-C sections appropriately represents the concepts of the extant PRP sections, as either standard requirements or application and other explanatory material.

<i>PRP Section 1000</i>	<i>PR-C Reference</i>	<i>Explanation</i>
<p><b>Notice to Readers</b></p> <p>In order to be admitted to or retain their membership in the AICPA, members of the AICPA who are engaged in the practice of public accounting in the United States or its territories are required to be practicing as partners or employees of firms enrolled in an approved practice-monitoring program or, if practicing in firms not eligible to enroll, are themselves enrolled in such a program:</p> <ul style="list-style-type: none"> <li>• if the services performed by such a firm or individual are within the scope of the AICPA’s practice-monitoring standards and</li> <li>• the firm or individual issues reports purporting to be in accordance with AICPA professional standards. Firms have peer reviews</li> </ul>	<p><b>100.A5</b> If authorized by Council, an individual member may enroll in the program if the firm is not eligible to enroll in the program. A CPA practicing in such a firm may enroll in certain circumstances as outlined in paragraphs .45–.47</p> <p><b>100.03</b> AICPA bylaws and the AICPA Code of Professional Conduct require that members engaged in the practice of public accounting practice with a firm that is enrolled in an Institute approved practice-monitoring program (AICPA peer review program) if the firm:</p>	

because of the public interest in the quality of the accounting, auditing, and attestation services provided by public accounting firms. In addition, firms indicate that peer review contributes to the quality and effectiveness of their practices. Furthermore, most state boards of accountancy require its licensees to undergo peer review, which they may also call compliance assurance, to practice in their state. Other regulators require peer review in order to perform engagements and to issue reports under their standards. Therefore, due to this public interest, we allow firms without AICPA members to enroll in the AICPA Peer Review Program.

A firm (or individual) enrolled in the AICPA Peer Review Program is deemed to be enrolled in an approved practice-monitoring program. See [BL sections 230](#), *2.3 Requirements for Retention of Membership*, [220](#), *2.2 Requirements for Admission to Membership*, and [760](#), *7.6 Publication of Disciplinary Action (AICPA, Professional Standards)*; "[Form of Organization and Name Rule](#)" and its interpretations (AICPA, *Professional Standards*, ET sec. 1.800.001); and the implementing council resolutions under those sections.

These standards are applicable to firms (and individuals) enrolled in the AICPA Peer Review Program and to individuals and firms who perform and report on such peer reviews,

- performs services within the scope of these standards and
- issues reports purporting to be in accordance with AICPA professional standards.

These standards are applicable to firms and individuals engaged in the practice of public accounting, as noted above in the United States or its territories. (Ref: par. .A4-.A6)

**100.A4** A firm does not need any AICPA members to enroll in the program.

**100.A6** Specifically, these requirements are located in AICPA BL section 220, Requirements for Admission to Membership, and BL section 230, Requirements for Retention of Membership, (BL sec. 2.2.3 and 2.3.4, respectively) and the "Form of Organization and Name Rule" (ET sec. 1.800.001) of the AICPA Code of Professional Conduct.

**100.01** This section contains general principles and responsibilities for the AICPA Peer Review Program (the program) and applies to

- a. firms and individuals (Ref: par. .45-.47) enrolled in the program, (Ref: par. .A1)

to entities approved to administer the peer reviews, and to associations of CPA firms authorized by the AICPA Peer Review Board (board) to assist its members in forming review teams. A firm or organization without CPA majority ownership (a non-CPA owned entity) would not be eligible to enroll in the program. If an individual CPA at such a firm performs compilation and/or preparation engagements, the individual may enroll in the AICPA Peer Review Program. The use of firm in these materials should apply to such enrolled individuals. The AICPA Peer Review Program may not be administered by any entity without written permission from the AICPA Peer Review Board. These standards are not intended for peer reviews of organizations that are not public accounting firms.

Users of these standards should be knowledgeable about the standards and their interpretations and effective dates, as well as guidance issued by the board that might affect the application of these standards. Those subject to the standards should be prepared to justify departures from these standards, and it is expected that departures will be rare.

These standards are effective for peer reviews commencing on or after January 1, 2009.

- b. firms and individuals who perform and report on peer reviews, and
- c. administering entities (AEs) of peer reviews (Ref: par. .A2).

The AICPA Peer Review Board (board), among other responsibilities, determines program enrollment eligibility, peer reviewer qualifications, and who may administer the program.

**100.A2** The program may not be administered by any entity without written permission from the board.

**100.A52** A firm or organization without CPA-majority ownership (a non-CPA-owned entity) would not be eligible to enroll in the program. The characteristics of such a firm are discussed in appendix B, “Council Resolution Concerning the Form of Organization and Name Rule,” of the Code of Professional Conduct.

**100.45** An individual CPA should enroll if the CPA (Ref: par. .A5 and .A51)

a. practices in a firm not eligible to enroll (Ref: par. .A52), and

b. performs compilations of financial statements in accordance with the SSARS.

**100.A1** A reference to *firm* or *firms* includes individuals enrolled in the program.

**100.A2** The program may not be administered by any entity without written permission from the board.

**100.02** The AICPA Standards for Performing and Reporting on Peer Reviews (the standards) are not intended for peer reviews of

a. organizations that are not public accounting firms

b. a firm's accounting and auditing practice applicable to engagements subject to Public Company Accounting Oversight Board (PCAOB) permanent inspection (Ref: par. .A3)

**100.06** The effective date for this standard is for peer reviews commencing on or after May 1, 2022.

<p><b>Overview</b></p> <p><b>Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews (as Referred to in a Peer Review Report)</b></p>		
<p><b>.01</b> The purpose of this document is to provide standards for administering, planning, performing, reporting on and the acceptance of peer reviews of CPA firms (and individuals) enrolled in the AICPA Peer Review Program (program) (see interpretations). Those processes collectively are also called <i>practice monitoring</i> because it is the monitoring of a CPA firm's accounting and auditing practice.</p>		<p>Removed</p>
<p><b>.02</b> The goal of practice monitoring, and the program itself, is to promote and enhance quality in the accounting and auditing services provided by the CPA firms (and individuals) subject to these standards. This goal serves the public interest and enhances the significance of AICPA membership.</p>	<p><b>100.07</b> The overall objective of the program is to promote and enhance quality in the accounting and auditing services provided by the firms (and individuals) subject to the standards, in service of the public interest. (Ref: par. .A10)</p>	

<p><b>.03</b> Firms (and individuals) (see interpretations) enrolled in the program are required to have a peer review, once every three years, of their accounting and auditing practice not subject to Public Company Accounting Oversight Board (PCAOB) permanent inspection (see interpretations) covering a one-year period. The peer review is conducted by an independent evaluator known as a peer reviewer. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role.</p>	<p><b>100.22</b> Firms enrolled in the program, in accordance with paragraph .03, should have a peer review, once every three years, of their accounting and auditing practice that covers a one-year period (peer review year). (Ref: par. A39–.A40)</p> <p><b>100.11</b> Peer reviewer (reviewer). An independent evaluator who conducts a peer review.</p>	
<p><b>.04</b> There are two types of peer reviews: System Reviews and Engagement Reviews. System Reviews focus on a firm’s system of quality control, and Engagement Reviews focus on work performed on selected engagements. A further description of these peer reviews as well as a summary of the nature, objectives, scope, limitations of, and procedures performed in them is included in <a href="#">appendix A</a>, "Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report)."</p>	<p><b>100.08</b> There are two types of peer reviews:</p> <p>System reviews (PR-C section 210, General Principles and Responsibilities for Reviewers — System Reviews, and section 310, General Principles and Responsibilities for Reviewed Firms — System Reviews)</p> <p>Engagement reviews (PR-C section 220, General Principles and Responsibilities for Reviewers — Engagement Reviews, and section 320, General Principles and Responsibilities for Reviewed Firms — Engagement Reviews)</p>	<p>Extant Appendix A (“Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report).”), is removed from the clarified standards, however this will be maintained on the AICPA website as it summarizes information contained within the clarified standards.</p>

<b>Introduction and Scope</b>		
<p><b>.05</b> Firms (and individuals) (see interpretations) enrolled in the program have the responsibility to:</p> <p><i>a.</i> Design and comply with a system of quality control for its accounting and auditing practice that provides the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. <a href="#">Statement on Quality Control Standards (SQCS) No. 8, A Firm's System of Quality Control (Redrafted)</a> (AICPA, <i>Professional Standards</i>, QC sec. 10), requires every CPA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice.</p> <p><i>b.</i> Perform accounting and auditing engagements in accordance with applicable professional standards using</p>	<p><b>300.06</b> The firm should timely engage a reviewer to perform the peer review in accordance with the standards. The firm and the captain should agree on the commencement and anticipated exit conference dates. (Ref: par. .A1–.A2)</p>	<p>Extant <i>.05a-e</i> are covered in PR-C section 100</p> <p><i>.05f-h</i> are broken out by topic in PR-C section 300: <i>Engage a reviewer, Written representations, and Cooperating and complying with the requirements of the program.</i></p>

<p>competent personnel<sup>fn 1</sup> (partners<sup>fn 2</sup> and staff<sup>fn 3</sup>).</p> <p><i>c.</i> Have independent peer reviews of their accounting and auditing practices (see interpretations). All enrolled firms should undergo a peer review if the services performed and reports issued by the firm require a peer review.</p> <p><i>d.</i> Engage a peer reviewer to perform the peer review in accordance with these standards, in a timely manner.</p> <p><i>e.</i> Take such measures, if any, as may be necessary to satisfy its obligations concerning client confidentiality any time state statutes or ethics rules promulgated by state boards of accountancy do not clearly provide an exemption from confidentiality</p>		
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<sup>fn 1</sup> Personnel are defined per Statement on Quality Control Standards (SQCS) as partners and staff.

<sup>fn 2</sup> Partners are defined per SQCS as any individual with authority to bind the firm with respect to the performance of a professional services engagement.

<sup>fn 3</sup> Staff are defined per SQCS as professionals, other than partners, including any specialists that the firm employs.

<p>requirements when peer reviews are undertaken.</p> <p>f. Provide written representations to describe matters significant to the peer review (see <a href="#">appendix B</a> “Considerations and Illustrations of Firm Representations”).</p> <p>g. Understand the AICPA Peer Review Board’s (board) guidance on resignations from the program (see interpretations).</p> <p>h. Cooperate with the peer reviewer, administering entity, and the board in all matters related to the peer review, that could impact the firm’s enrollment in the program, including paying administrative fees, arranging, scheduling, and completing the review and taking remedial, corrective actions and implementing other plans as needed (see interpretations).</p>		
<p><b>.06</b> An <i>accounting and auditing practice</i> for the purposes of these standards is defined as all engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services</p>	<p><b>100.11 Accounting and auditing practice.</b> A practice that performs engagements under Statements on Auditing Standards (SASs), Statements on Standards for Accounting and Review Services (SSARSs), Statements on Standards for Attestation Engagements (SSAEs), <i>Government Auditing Standards</i> (the Yellow Book) issued by the U.S. Government Accountability Office, or PCAOB standards. Engagements covered in the scope of the program are those included in the</p>	

<p>(SSARSs);<sup>fn 4</sup> Statements on Standards for Attestation Engagements (SSAEs); <i>Government Auditing Standards</i> (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under PCAOB standards (see interpretations). Engagements covered in the scope of the program are those included in the firm’s accounting and auditing practice that are not subject to PCAOB permanent inspection (see interpretations).</p>	<p>firm’s accounting and auditing practice that are not subject to PCAOB permanent inspection.</p>	
<p><b>.07</b> The objectives of the program are achieved through the performance of peer reviews involving procedures tailored to the size of the firm and the nature of its practice. Firms that perform engagements under the SASs or <i>Government Auditing Standards</i>, examinations under the SSAEs, or engagements under PCAOB standards, as their highest level of service have peer reviews called <i>System Reviews</i>. A System Review includes determining whether the firm’s system of quality control for its accounting and auditing practice is designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, including <a href="#">SQCS No. 8</a>,</p>	<p><b>100.A10</b> The objective of the program is achieved through the performance of peer reviews involving procedures tailored to the size of the firm and the nature of its practice.</p> <p><b>310.02</b> Firms that perform engagements under the Statements on Auditing Standards (SASs) or <i>Government Auditing Standards</i>, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under PCAOB standards must have a system review. (Ref. par. .A1–.A2)</p>	<p>Firms eligible to have engagement reviews addressed in PR-C section 320.02 (Extant PRP Par. .103)</p>

<sup>fn 4</sup> Statements on Standards for Accounting and Review Services that provide an exemption from those standards in certain situations are likewise excluded from this definition of an accounting and auditing practice for peer review purposes (see interpretations).

<p>in all material respects. Firms that only perform services under SSARSs or services under the SSAEs not included in System Reviews are eligible to have peer reviews called <i>Engagement Reviews</i>, however firms that only perform preparation engagements (with or without disclaimer reports) under SSARSs are not required to enroll in the program (see interpretations). These standards are not intended for and exclude the review of the firm’s accounting and auditing practice applicable to engagements subject to PCAOB permanent inspection (see interpretations). Firms that do not provide any of the services listed in <a href="#">paragraph .06</a> are not peer reviewed (see interpretations).</p>	<p><b>100.09</b> Firms that perform engagements under the Statements on Auditing Standards (SASs) or Government Auditing Standards, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements under PCAOB standards, as their highest level of service must have system reviews. Firms that perform services under SSARSs or services under the SSAEs not included in system reviews as their highest level of service are eligible to have engagement reviews. (Ref: par. .A11)</p> <p><b>100.04</b> These standards do not require firms that only perform preparation engagements under the Statements on Standards for Accounting and Review Services (SSARSs) to enroll in the program. (Ref: par. .A7)</p> <p><b>100.A7</b> A firm that only performs preparation engagements under the SSARSs may be required to enroll in the program by a regulatory body, for example, for licensing.</p>	
<p><b>.08</b> The majority of the procedures in a System Review should be performed at the reviewed firm’s office (see interpretations). Engagement Reviews are normally performed at a location other than the reviewed firm’s office.</p>		<p>Removed see detailed explanation in Explanatory Memorandum of the exposure draft.</p>

<p><b>.09</b> The program is based on the principle that a systematic monitoring and educational process is the most effective way to attain high quality performance throughout the profession. Thus, it depends on mutual trust and cooperation. On System Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified with their system of quality control or their compliance with the system, or both. On Engagement Reviews, the reviewed firm is expected to take appropriate actions in response to findings, deficiencies, and significant deficiencies identified in engagements. On both System and Engagement Reviews, the firm is also expected to follow professional standards in response to engagements identified as not performed or reported in conformity with applicable professional standards in all material respects (“nonconforming”). These actions will be positive and remedial. Disciplinary actions (including those that can result in the termination of a firm’s enrollment in the program and the subsequent loss of membership, if applicable, in the AICPA and some state CPA societies by its partners<sup>fn 5</sup> and</p>	<p><b>100.11 Partner.</b> Any individual with authority to bind the firm with respect to the performance of a professional services engagement. Partners may include employees with this authority who have not assumed the risks and benefits of ownership. Firms may use different titles to refer to individuals with this authority.</p>	<p>Specific language in extant PRP 1000.09 is removed, however concepts and substance is captured in objectives and related requirements in PR-C sections for system and engagement reviews.</p>
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<sup>fn 5</sup> A *partner* is a proprietor, shareholder, equity or non-equity partner, or any individual who assumes the risks and benefits of firm ownership or who is otherwise held out by the firm to be the equivalent of any of the aforementioned. Depending on how a CPA firm is legally organized, its partner(s) could have other names, such as *shareholder*, *member*, or *proprietor*.

<p>employees) will be taken only for a failure to cooperate, failure to correct inadequacies, or when a firm is found to be so seriously deficient in its performance that education and remedial, corrective actions are not adequate.</p>		
<p><b>.10</b> Compliance with the positive enforcement program of a state board of accountancy does not constitute compliance with the AICPA’s peer review requirements.</p>		<p>Removed</p>
<p><b>General Considerations</b></p> <p><b>Administrative Requirements</b></p>		
<p><b>.11</b> All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society, group of state CPA societies, the board’s committees including but not limited to the National Peer Review Committee (National PRC) (see interpretations), or other entity (hereinafter, administering entity) approved by the board to administer peer reviews.</p>	<p><b>100.34</b> All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society; group of state CPA societies; one of the board’s committees, such as the National Peer Review Committee (National PRC); or other entity (collectively, hereinafter, referred to as an “administering entity”) approved by the board to administer peer reviews. (Ref: par. .A46)</p> <p><b>100.A46</b> Administering entities approved by the board are authorized to establish dues or registration fees within their individual jurisdictions to fund the administration of the program.</p>	

<p><b>12</b> Peer reviews, including the reviewed firm and peer reviewers, are subject to oversight by the administering entity. In addition, peer reviews and administering entities are subject to oversight by the board and other bodies agreed upon by the board or the administering entity. The objectives of oversight are to ensure compliance with the standards and consistency in implementation. Reviewed firms, peer reviewers, and administering entities are expected to cooperate during the oversight process.</p>	<p><b>100.41</b> Peer reviews, reviewed firms, and reviewers are subject to oversight by the administering entity and the board to ensure compliance with and consistent application of the standards. (Ref: par. .A50)</p> <p><b>100.42</b> Administering entities are subject to oversight by the board and other bodies agreed upon by the board.</p> <p><b>100.A50</b> The objectives of oversight are to enhance quality in accounting and auditing by ensuring compliance with, and consistent application of the standards throughout the program. The board may appoint other individuals or bodies to perform oversights at its discretion.</p>	
<p><b>Timing of Peer Reviews</b></p>		
<p><b>.13</b> A firm’s due date for its initial peer review is ordinarily 18 months from the date it enrolled in the program or should have enrolled, whichever date is earlier (see interpretations).</p>	<p><b>100.23</b> A firm should enroll in the program no later than the date the firm issues the report on its first engagement within the scope of the standards (enrollment date).</p> <p><b>100.25</b> The firm’s initial peer review due date should be within 18 months after the firm issues the report on its first engagement within the scope of the standards.</p> <p><b>100.26</b> If the firm fails to enroll by the due date described in paragraph .25, the initial peer review due date should be 90 days from the date the firm enrolled in the program.</p>	

<p><b>.14</b> A firm does not undergo a peer review if it does not perform engagements requiring it to undergo a peer review (see <a href="#">paragraph .07</a>). However, when a firm performs its first engagement requiring a peer review or its first engagement requiring it to have a System Review, the firm's next due date ordinarily will be 18 months from the year-end of that engagement (18 months from the report date if it is a financial forecast, projection or agreed upon procedures engagement) (see interpretations).</p>	<p><b>100.31</b> If a firm, having previously represented that it has no engagements within the scope of the standards, is enrolled in the program and (a) performs its first engagement within the scope of the standards, or (b) performs its first engagement that would require a system review, the due date should be 18 months from that engagement's year-end (18 months from the report date if it is a financial forecast, projection, or agreed-upon procedures engagement).</p>	
<p><b>.15</b> A firm's subsequent peer review ordinarily has a due date of three years and six months from the year-end of the previous peer review.</p>	<p><b>100.27</b> The subsequent peer review due date should be no more than 42 months from the previous peer review year-end. (Ref: par. .A43)</p>	
<p><b>.16</b> The due date for a peer review is the date by which the peer review report, and if applicable, letter of response, and the peer reviewer's materials are to be submitted to the administering entity.</p>	<p><b>100.11 Due date.</b> The date the peer review report and all required peer review materials are to be submitted to the administering entity.</p>	
<p><b>.17</b> Peer reviews must cover a current period of one year to be mutually agreed upon by the reviewed firm and the reviewing firm. Ordinarily, the peer review should be conducted within three to five months following the end of the year to be reviewed (see interpretations).</p>	<p><b>100.A41</b> Ordinarily, the initial peer review year is the 12-month period after the report date of the initial engagement performed by the firm within the scope of the standards.</p> <p><b>100.A40</b> Ordinarily, a peer review is performed within three to five months following the peer review year-end.</p>	

<p><b>.18</b> A firm is expected to maintain the same year-end on subsequent peer reviews (which is three years from the previous year-end) and the same review due date (which is three years from the previous review due date) (see interpretations).</p>	<p><b>100.A43</b> Ordinarily, a firm should maintain the same peer review year-end for subsequent reviews.</p>	
<p><b>.19</b> If a firm resigns from the program and subsequently reenrolls in the program, the firm's due date is the later of the due date originally assigned or 90 days after reenrolling.</p>	<p><b>100.33</b> If a firm resigns or is dropped from the program and subsequently reenrolls in the program, the firm's due date is the later of the due date originally assigned or 90 days after reenrolling.</p>	
<p><b>Confidentiality</b></p>		
<p><b>.20</b> A peer review should be conducted in compliance with the confidentiality requirements set forth in the "<a href="#">Confidential Client Information Rule</a>" and its interpretations (AICPA, <i>Professional Standards</i>, ET sec. 1.700.001). Except as discussed in <a href="#">paragraph .146</a>, information concerning the reviewed firm or any of its clients or personnel that is obtained as a consequence of the review is confidential. Such information should not be disclosed, except as required by law, by review team members or by administering entities to anyone not involved in performing the review, or administering or carrying out the program, or used in any way not related to meeting the objectives of the program.</p>	<p><b>100.18</b> A peer review should be conducted in compliance with the confidentiality requirements set forth in the "Confidential Client Information Rule" (ET sec. 1.700.001) and its interpretations.</p> <p><b>100.A34</b> Information concerning the reviewed firm or any of its clients or personnel that is obtained through the review is confidential.</p> <p><b>100.19</b> Confidential information should be disclosed only as required by law, or in accordance with sections 200 and 400, (Ref: par. .A34)</p> <ul style="list-style-type: none"> <li>a. to anyone not involved in performing the review,</li> <li>b. to anyone not administering or carrying out the program, or</li> <li>c. for use in any way not related to meeting the objectives of the standards.</li> </ul>	

<b>Independence, Integrity, and Objectivity</b>		
.21 Independence in fact and in appearance should be maintained with respect to the reviewed firm by a reviewing firm, by review team members, and by any other individuals who participate in or are associated with the review (see interpretations). In addition, the review team should perform all peer review responsibilities with integrity and maintain objectivity in discharging those responsibilities.	<b>100.20</b> Enrolled firms, reviewing firms, and individual CPAs within the administering entities should comply with relevant ethical requirements. If circumstances come to the firm or reviewer’s attention that bring into question whether independence was impaired, the administering entity or AICPA staff should be consulted. (Ref: par. .A35–.A37)	
.22 <i>Independence</i> encompasses an impartiality that recognizes an obligation for fairness not only to the reviewed firm but also to those who may use the peer review report. The reviewing firm, the review team, and any other individuals who participate on the peer review should be free from any obligation to, or interest in, the reviewed firm or its personnel. The concepts in the “ <a href="#">Integrity</a> ” principle (ET sec. 0.300.040) and the “ <a href="#">Objectivity and Independence</a> ” principle (ET sec. 0.300.050) (AICPA, <i>Professional Standards</i> ), should be considered in making independence judgments. <i>Integrity</i> requires the review team to be honest and candid within the constraints of the reviewed firm’s confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. <i>Objectivity</i> is a state of	<b>100.A37</b> In the case of a peer review, it is in the public interest and, therefore, required by this section that the reviewer and any other individuals who participate on the peer review be independent of the reviewed firm. The concept of independence refers to both independence in fact and independence in appearance. Independence encompasses an impartiality that recognizes an obligation for fairness not only to the reviewed firm but also to those who may use the peer review report. Integrity requires the reviewer to be honest and candid within the constraints of the reviewed firm’s confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Objectivity is a state of mind and a quality that lends value to a reviewer’s services. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest. Guidance on threats to independence is	Used AU-C 200

<p>mind and a quality that lends value to a review team's services. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.</p>	<p>set forth in the AICPA's "Conceptual Framework for Independence" (ET sec. 1.210.010).</p>	
<p><b>Due Professional Care</b></p>		
<p><b>.23</b> Due professional care, as addressed by the "<a href="#">Due Care</a>" principle (AICPA, <i>Professional Standards</i>, ET sec. 0.300.060), should be exercised in performing and reporting on the review. This imposes an obligation on all those involved in carrying out the review to fulfill assigned responsibilities in a professional manner (see interpretations).</p>	<p><b>100.A38</b> Due care, as addressed by the "Due Care" principle (ET sec. 0.300.060), requires all those involved in carrying out the review to fulfill assigned responsibilities in a professional manner.</p>	
<p><b>Peer Review Documentation and Retention Policy</b></p>		
<p><b>.24</b> Peer review documentation should be prepared in sufficient detail to provide a clear understanding of its purpose, source, and the conclusions reached. The documentation provides evidence of the work performed and is the basis for the review of the quality of the work. It should demonstrate that the peer reviewer complied with these standards and should support the basis for the peer reviewer's conclusions. Also, the documentation should be appropriately organized to provide a clear link</p>	<p><b>100.36</b> The reviewer should prepare peer review documentation with enough detail to enable an experienced peer reviewer having no previous connection with the review, to understand the following:</p> <ul style="list-style-type: none"> <li>a. The documentation's purpose, source, and the conclusions reached,</li> <li>b. Evidence of the work performed,</li> </ul>	

<p>from the working papers to the peer review report (see interpretations).</p>	<p><i>c.</i> That the reviewer complied with these standards</p> <p><i>d.</i> That the basis for the reviewer's conclusions is supported</p>	
<p><b>.25</b> Peer review documentation should not be retained for an extended period of time after the peer review's completion, with the exception of certain documents that are maintained until the subsequent peer review's acceptance and completion (see interpretations).</p>	<p><b>100.40</b> Peer review documentation should not be retained by the reviewer or administering entity for an extended period after the peer review's completion, except for certain documents that are maintained until the subsequent peer review's acceptance and completion. Refer to section 200, General Principles and Responsibilities for Reviewers, and section 400, General Principles and Administration Responsibilities, for specific document retention requirements for reviewers and administrators, respectively. (Ref: par. .A48–.A49)</p>	
<p><b>Organizing the System or Engagement Review Team</b></p>		
<p><b>.26</b> A System Review team comprises one or more individuals, depending upon the size and nature of the reviewed firm's practice and other factors. An Engagement Review team ordinarily comprises one individual. A review</p>	<p><b>200.22</b> A captain should assemble the review team of one or more individuals depending on the size and nature of the reviewed firm's practice and other factors.</p>	

<p>team may be formed by a firm engaged by the firm under review (a firm-on-firm review) or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team) (see interpretations). For Engagement Reviews, review teams may also be formed by the administering entity if it chooses to appoint such teams (hereinafter, a committee-appointed review team, also known as a CART review).</p>		
<p><b>.27</b> A reviewing firm (including for these purposes the team captain, for an association formed review team) must determine its capability to perform a peer review. This determination includes assigning peer reviewers with appropriate levels of expertise and experience to perform the review. Before accepting a peer review engagement, the reviewing firm should obtain and consider information about the firm to be reviewed, including certain operating statistics concerning size, nature of practice, industry specializations, and levels of service.</p>	<p><b>200.19</b> Before agreeing to perform a peer review, a reviewer should do the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> Obtain and consider information about the firm to be reviewed, including size, nature of practice, industry specializations, and levels of service. (Ref: par. .A28)</li> <li><i>b.</i> Assess their own capability and availability to perform the peer review.</li> <li><i>c.</i> Consider the review due date to account for adequate time to assess appropriate responses. (Ref: par. .A29)</li> <li><i>d.</i> Consider the need for additional reviewers with appropriate levels of expertise and experience to perform the review.</li> </ul>	

	<p><i>e.</i> Consider the need for individuals with expertise in specialized areas to assist in a consulting capacity. (Ref. par. .A30)</p> <p><b>200.A29</b> Conducting the review 3–5 months after the firm’s peer review year-end, ordinarily allows adequate time (30 days prior to the due date) for the assessment and submission of the peer review documents.</p>	
<p><b>.28</b> In determining its capability to perform the review, the reviewing firm should consider the size of the firm to be reviewed in relation to its own size. A reviewing firm must recognize that the performance of a peer review may demand substantial commitments of time, especially from its supervisory accounting and auditing personnel. Therefore, a reviewing firm should consider carefully the number and availability of its supervisory personnel in determining whether it can perform a peer review of another firm.</p>		<p>Removed - Addressed by requirements in 200.14</p>
<p><b>.29</b> One member of the System Review team is designated the team captain. The individual performing an Engagement Review is designated the review captain. The team captain or review captain is responsible for supervising and conducting the review, communicating the review team’s findings to the reviewed firm and to the administering entity, preparing the report</p>	<p><b>200.28</b> The captain should do the following:</p> <p><i>a.</i> Supervise, perform and report on the review in accordance with the standards.</p> <p><i>b.</i> Accept responsibility for the work of team members, including specialists (Ref: par. .A37 and .A38)</p>	

<p>on the review, and ensuring that peer review documentation is complete and submitted to the administering entity on a timely basis. If applicable, the team captain, or review captain in unusual circumstances, should supervise and review the work performed by other reviewers on the review team to the extent deemed necessary under the circumstances.</p>	<p><i>c.</i> Communicate the review results to the reviewed firm and to the administering entity.</p> <p><i>d.</i> Ensure that peer review documentation is complete and submitted to the administering entity on a timely basis. (Ref. par. .A36)</p> <p><b>200.A36</b> Complete and timely peer review documentation relates to the initial submission of the report and review materials, and to the timely completion of any additional actions necessary to complete the review. Additional actions may include completing any omitted documentation of the work performed on the review and resolving questions raised by the committee or technical reviewer accepting the review or by the board and AICPA staff.</p>	
<p><b>.30</b> A System Review team, a review captain on an Engagement Review and, in unusual circumstances any additional reviewers on an Engagement Review, ordinarily should be approved by the administering entity prior to the planning and commencement of the peer review (see interpretations).</p>	<p><b>200.24</b> All members of the review team should be approved by the administering entity prior to the commencement of the peer review. (Ref. par. .A32)</p>	
<p><b>Qualifying for Service as a Peer Reviewer</b></p>		

<p><b>System and Engagement Reviewers</b></p>		
<p><b>.31</b> Performing and reporting on a peer review requires the exercise of professional judgment by peers (see <a href="#">paragraphs .147–.153</a> for a discussion of a reviewer’s responsibilities when performing a peer review). Accordingly, an individual serving as a reviewer on a System or Engagement Review should at a minimum:</p> <ul style="list-style-type: none"> <li>a. Be a member of the AICPA in good standing (that is, AICPA membership in active, non-suspended status) licensed to practice as a CPA.</li> <li>b. Be currently active in public practice at a supervisory level in the accounting or auditing function of a firm enrolled in the program (see interpretations), as a partner of the firm, or as a manager or person with equivalent supervisory responsibilities.<sup>fn 6</sup> To be considered currently active in the accounting or auditing function, a reviewer should be presently involved in the accounting or auditing practice of a firm supervising</li> </ul>	<p><b>200.05</b> To qualify as a reviewer, CPAs should consider whether their day-to-day involvement in their firm’s accounting and auditing practice is sufficiently comprehensive to enable them to perform a peer review with professional expertise. At a minimum, a reviewer should meet the following qualifications: (Ref: par. .A6)</p> <ul style="list-style-type: none"> <li>a. Be a member of the AICPA in good standing, licensed to practice as a CPA, and employed by or an owner of a firm enrolled in the program. (Ref: par. .A1)</li> <li>b. Be in public practice as a partner, manager, or person with equivalent responsibilities in the accounting or auditing practice or carrying out a quality control function in the CPA’s firm. (Ref: par. .A2)</li> <li>c. Have current practice experience by performing or supervising accounting or auditing engagements in the CPA’s firm or carrying out a quality control function in the firm,</li> </ul>	<p>See explanatory memo of the exposure draft for further explanation of “Removal of Guidance on Performing and Reporting on Reviews of Quality Control Materials”</p>

<sup>fn 6</sup> A manager or person with equivalent supervisory responsibilities is a professional employee of the firm who has either a continuing responsibility for the overall planning and supervision of engagements for specified clients or authority to determine that an engagement is complete subject to final partner approval if required.

<p>one or more of a firm’s accounting or auditing engagements or carrying out a quality control function on a firm’s accounting or auditing engagements (see interpretations). CPAs who wish to serve as reviewers should carefully consider whether their day-to-day involvement in accounting and auditing work is sufficiently comprehensive to enable them to perform a peer review with professional expertise (see interpretations).</p> <p>c. Be associated with a firm (or all firms if associated with more than one firm) that has received a report with a peer review rating of <i>pass</i> for its most recent System or Engagement Review that was accepted timely, ordinarily within the last three years and six months (see interpretations).</p> <p>d. Possess current knowledge of professional standards applicable to the kind of practice to be reviewed, including quality control and peer review standards. This includes recent experience in and knowledge about current rules and regulations appropriate to the level of service applicable to the industries of the engagements that the</p>	<p>with reports dated within the last 18 months. (Ref: par. .A3)</p> <p>d. Have spent the last five years in the practice of public accounting in the accounting or auditing function,</p> <p>e. Be employed by or be the owner of a firm that has received a report with a peer review rating of pass or pass with scope limitations for its most recent peer review. (The report should have been accepted timely.) (Ref: par. .A4–.A5)</p> <p>f. Possess current knowledge of professional standards and experience related to the kind of practice and the industries of the engagements to be reviewed (Ref. par. .A7)</p> <p>g. Obtain at least 48 hours of AICPA-required continuing professional education (CPE) every 3 years in subjects relating to accounting, auditing, and quality control with a minimum of 8 hours in any 1 year.</p> <p>h. Be free of restrictions from regulatory or governmental bodies on the CPA’s ability to practice public accounting. (Ref: par. .A8)</p> <p>i. Provide qualifications and experience via a reviewer resume.</p> <p><b>200.A2</b> A manager or person with equivalent responsibilities is a professional employee of the</p>	
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<p>individual will be reviewing (see interpretations).<sup>fn 7</sup></p> <p>e. Have spent the last five years in the practice of public accounting in the accounting or auditing function.</p> <p>f. Have provided the administering entity with information that accurately reflects the qualifications of the reviewer including recent industry experience, which is updated on a timely basis (see interpretations).</p> <p>g. If the reviewer will review engagements that must be selected in a System Review under <a href="#">paragraph .63</a>, possess specific additional qualifications (see interpretations).</p> <p>h. If the reviewer is from a firm that is a provider of quality control materials (QCM) or is affiliated with a provider of quality control materials and is required to have a QCM review under these standards, be associated with a provider firm or affiliated entity that has received a QCM report with a review rating of <i>pass</i> for its most recent QCM review</p>	<p>firm who has either a continuing responsibility for the overall planning and supervision of engagements for specified clients or authority to determine that an engagement is complete subject to final partner approval, if required.</p> <p><b>200.A5</b> The administering entity will determine if the report has been accepted timely.</p> <p><b>200.A6</b> In rare circumstances, an exception may be approved by the AICPA prior to commencement of the peer review. The request must be made in writing and should thoroughly explain why the exception should be approved.</p> <p><b>200.A8</b> If a restriction is imposed on the reviewer's firm, the Oversight Task Force (OTF) will determine the impact to the individual's ability to qualify as a reviewer.</p>	
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<sup>fn 7</sup> A reviewer should be cautious of those high-risk engagements or industries in which new standards or regulations have been issued. For example, in those cases in which new industry standards or practices have occurred in the most recent year, it may be necessary to have *current* practice experience in that industry.

<p>that was submitted timely, ordinarily within six months of the provider's year-end.</p>		
<p><b>Team Captain or Review Captain</b></p>	<p><b>Reviewer Qualifications for Team Captains</b></p>	
<p><b>.32</b> In addition to adhering to the requirements in <a href="#">paragraph .31a-f</a> to be a peer reviewer, a System Review team captain must be a partner.  <sup>fn 8</sup> For an Engagement Review, the review captain is not required to be a partner. The team captain, or the review captain in limited circumstances, is required to ensure that all team members possess the necessary capabilities and competencies to perform assigned responsibilities and that team members are adequately supervised. The team captain or review captain has the ultimate responsibility for the review, including the work performed by team members (see interpretations).</p>	<p><b>210.05</b> In addition to meeting the requirements in section 200, a team captain must be a partner and complete initial and ongoing peer review training that meets the requirements established by the board. (Ref: par. .A1)</p> <p><b>210.A1</b> Peer review training courses designed to meet the requirement are located on the Peer Review page of the AICPA website.</p>	
<p><b>.33</b> Also, team captains and review captains should have completed peer review training that meets the requirements established by the board (see interpretations). For additional team captain</p>		<p>Removed – Requirements are addressed in 210.05</p>

<sup>fn 8</sup> If the peer reviewer's firm's (see [paragraph .31c](#)) most recent peer review was an Engagement Review, then the peer reviewer is not eligible to be a System Review team captain.

<p>qualification requirements, see the interpretations.</p>		
<p><b>Other Peer Reviewer or Reviewing Firm Qualification Considerations</b></p>		
<p><b>.34</b> Communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of a peer reviewer or reviewing firm’s accounting and auditing practice, and notifications of limitations or restrictions on a peer reviewer or reviewing firm to practice, may impact the peer reviewer or reviewing firm’s ability to perform the peer review. The peer reviewer or reviewing firm has a responsibility to inform the administering entity of such communications or notifications (see interpretations).</p>		<p>See PRP 2000 mapping of Interpretation 34-1</p>
<p><b>.35</b> If required by the nature of the reviewed firm’s practice, individuals with expertise in specialized areas may assist the review team in a consulting capacity (see interpretations). For example, computer specialists, statistical sampling specialists, actuaries, or experts in continuing professional education (CPE) may participate in certain segments of the review.</p>	<p><b>200.A30</b> If required by the nature of the reviewed firm’s practice, individuals with expertise in specialized areas may assist the review team in a consulting capacity. For example, computer specialists, statistical sampling specialists, actuaries, or experts in CPE may participate in certain segments of the review.</p>	
<p><b>Performing System Reviews</b></p>		

Objectives	Objective	
<p><b>.36</b> A System Review is intended to provide the reviewer with a reasonable basis for expressing an opinion on whether, during the year under review:</p> <p><i>a.</i> The reviewed firm’s system of quality control for its accounting and auditing practice has been designed in accordance with quality control standards established by the AICPA (see SQCS No. 8).</p> <p><i>b.</i> The reviewed firm’s quality control policies and procedures were being complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</p>	<p><b>210.03 &amp; 310.A3</b> The objectives of the reviewer, in conducting a system review, are to do the following:</p> <p><i>a.</i> Obtain reasonable assurance that the reviewed firm’s system of quality control for its accounting and auditing practice has been designed and complied with to provide the firm with reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in all material respects.</p> <p><i>b.</i> Report on the reviewed firm’s system of quality control and communicate as required by the Standards for Performing and Reporting on Peer Reviews (the standards) established by the Peer Review Board (the board) of the American Institute of Certified Public Accountants, in accordance with the reviewer’s conclusions.</p> <p><b>310.04</b> The objective of the reviewed firm is to enhance its effectiveness and contribute to the quality of our profession by undergoing a system review performed in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board (the board) of the</p>	<ul style="list-style-type: none"> <li>• Removed reference to SQCS No. 8 b/c we don’t reference that in the report.</li> <li>• Aligned with the objectives of the auditor AU-C sec. 200</li> </ul>

	American Institute of Certified Public Accountants (the standards). (Ref: par. .A3)	
.37 A System Review is designed to test a reasonable cross section of the firm’s engagements with a focus on high-risk engagements, in addition to significant risk areas where the possibility exists of engagements not being performed or reported on in conformity with applicable professional standards in all material respects. A System Review is not designed to test every engagement or compliance with every professional standard and every detailed component of the firm’s system of quality control.		Removed because a system review is defined in PR-C section 100.11.
<b>Basic Requirements</b>		
.38 A System Review should include, but not be limited to, the following procedures: <ul style="list-style-type: none"> <li>a. Planning the review, as follows: <ul style="list-style-type: none"> <li>i. Obtain the results of the prior peer review (see <a href="#">paragraph .39</a>).</li> <li>ii. Inquire of the firm about the areas to be addressed in the written representations (see <a href="#">paragraph .40</a>).</li> </ul> </li> </ul>		Removed as planning and risk-based procedures are discussed in detailed requirements of PR-C section 210.

iii. Obtain a sufficient understanding of the nature and extent of the firm's accounting and auditing practice to plan the review (see [paragraphs .41-.45](#)).

iv. Obtain a sufficient understanding of the design of the firm's system of quality control, including an understanding of the monitoring procedures performed since the prior review, to plan the review (see [paragraphs .41-.45](#)).

v. Assess peer review risk (see [paragraphs .46-.52](#)).

vi. Use the knowledge obtained from the foregoing to select the offices and the engagements to be reviewed and to determine the nature and extent of the tests to be applied in the functional areas (see [paragraphs .53-.63](#)).

*b.* Performing the review, as follows:

i. Review the firm's design and compliance with its system of quality control. The review should cover all organizational

or functional levels within the firm (see [paragraphs .53–.54](#)).

- ii. Review significant risk areas on selected engagements, including the relevant accounting, audit, and attestation documentation and reporting (see [paragraphs .64–.65](#)).
- iii. Conclude on the review of engagements (see [paragraphs .66–.67](#)).
- iv. Reassess the adequacy of the scope of the review based on the results obtained to determine whether additional procedures are necessary (see [paragraph .68](#)).
- v. Determine the relative importance of matters (see [paragraphs .69–.72](#)).
- vi. Prepare the Matter for Further Consideration (MFC) forms, Disposition of MFC (DMFC) forms, and any related Finding for Further Consideration (FFC) forms (see [paragraphs .73–.74](#)).

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| <ul style="list-style-type: none"><li>vii. Aggregate and systemically evaluate the matters (see <a href="#">paragraphs .75–.86</a>).</li><li>viii. Form conclusions on the type of report to issue (see <a href="#">paragraphs .87–.90</a>).</li><li>ix. Obtain the written representations from the reviewed firm (see <a href="#">paragraph .05f</a> and <a href="#">appendix B</a>).</li><li>x. If at the conclusion of fieldwork, the firm needs more time to consider its response to matters identified during the peer review, conduct a closing meeting in advance of the exit conference. The purpose of the closing meeting is to discuss with senior members of the reviewed firm the review team’s observations, matters, findings, deficiencies, and significant deficiencies identified; the expected type of report to be issued, and firm’s responsibilities related to such matters.</li><li>xi. After the firm has responded to matters identified in the peer review, conduct an exit</li></ul> |  |  |
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<p>conference with senior members of the firm to discuss a summary of the peer review results, the firm responses, and the type of report to be issued (see <a href="#">paragraphs .91-.92</a>).</p> <p>xii. Prepare a written report on the results of the review (see <a href="#">paragraphs .94-.96</a>).</p> <p>xiii. Evaluate the firm’s actions taken or planned in response to FFCs and the report, if applicable (see <a href="#">paragraphs .97-.101</a>).</p> <p>xiv. The team captain submits the report, the firm’s letter of response, if applicable, and applicable working papers to the administering entity (see <a href="#">paragraph .100</a>).</p>		
<p><b>Planning Considerations</b></p>		
<p><b>.39</b> To assist the review team in the planning of the review, the team captain should obtain the prior peer review report, letter of response, if applicable, letter of acceptance, FFC forms, if applicable, and the firm’s representation letter from the firm or administering entity. The team</p>	<p><b>310.06 &amp; 210.10</b>The reviewer should obtain from the reviewed firm:</p> <p>a. information regarding the firm’s audit and accounting practice for each engagement with a period end date during the peer</p>	<ul style="list-style-type: none"> <li>• Consideration covered later in the PR-C (52-1)</li> </ul>

<p>captain should consider whether the issues discussed in those documents require additional emphasis in the current review and, in the course of the review, should evaluate the actions of the firm in response to the prior report and FFC forms, if applicable (see interpretations).</p>	<p>review year (report date for financial forecasts, financial projections, and agreed upon procedures engagements) and issued by the commencement date to allow the reviewer to be able to identify</p> <ul style="list-style-type: none"> <li>i. the level of service,</li> <li>ii. the number of audit or accounting hours (actual, if available, or estimated),</li> <li>iii. the engagement partner,</li> <li>iv. the industry,</li> <li>v. whether an engagement was an initial engagement,</li> <li>vi. office (if applicable), and</li> <li>vii. whether an engagement was a must-select or must-cover engagement (if applicable) (Ref: 210.A22/310.A4)</li> </ul> <ul style="list-style-type: none"> <li>b. A list of firm personnel (Ref: par. 210.A3/310.A5)</li> <li>c. Responses to inquiries about the areas to be addressed in the written representations,</li> <li>d. The firm's prior</li> </ul>	
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	<ul style="list-style-type: none"> <li>i. peer review report,</li> <li>ii. letter of response (if applicable)</li> <li>iii. letter of acceptance,</li> <li>iv. FFCs (if applicable), and</li> <li>v. representation letter</li> </ul> <p>e. the firm’s quality control documentation (Ref: par. 210.A4/310.A6)</p> <p><b>210.A3 &amp; 310.A5</b> The personnel list assists reviewers in performing their risk assessment procedures. The reviewer may request that the list include</p> <ul style="list-style-type: none"> <li>a. name</li> <li>b. position</li> <li>c. years of experience <ul style="list-style-type: none"> <li>1. with firm, and</li> <li>2. in total</li> </ul> </li> </ul> <p><b>310.A4</b> For more information regarding engagements that must be selected or that fall into the “must-cover” category, refer to section 210, <i>General Principles and Responsibilities for Reviewers — System</i></p>	
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	<p><i>Reviews, appendix C, “Must-Select and Must-Cover Engagements.”</i></p> <p><b>210.A4</b> Quality control documentation will likely include the firm’s quality control document, evidence of the performance of the firm’s monitoring procedures, and CPE documentation, among other documents.</p> <p><b>310.A6</b> Quality control documentation will likely include the firm’s quality control document, evidence of the performance of the firm’s monitoring procedures, and CPE documentation, among other documents. The reviewer may determine that the firm’s current-year internal monitoring procedures could enable the reviewer to reduce the extent of the peer review procedures.</p>	
<p><b>.40</b> The reviewer should inquire of the firm regarding the areas to be addressed in the written representation (see <a href="#">paragraph .05f</a> and <a href="#">appendix B</a>) and consider whether the areas discussed require additional emphasis in the course of the review (see interpretations).</p>		<p>Addressed by requirement <i>c.</i> in PR-C 210.10</p>
<p><b>Understanding the Firm’s Accounting and Auditing Practice and System of Quality Control</b></p>	<p><i>Understanding the Firm’s Accounting and Auditing Practice and System of Quality Control</i></p>	<ul style="list-style-type: none"> <li>• Heading is under Planning, therefore changed font in accordance with clarity drafting guidelines</li> </ul>

<p><b>.41</b> The review team should obtain a sufficient understanding of the nature and extent of the reviewed firm’s accounting and auditing practice to plan the review. This understanding should include knowledge about the reviewed firm’s organization and philosophy, as well as the composition of its accounting and auditing practice.</p>	<p><b>210.11</b> The reviewer should obtain an understanding of the firm’s accounting and auditing practice, and system of quality control with respect to each of the quality control elements in accordance with quality control standards established by the AICPA.</p>	<ul style="list-style-type: none"> <li>• Last sentence mapped to extant par. .43 below.</li> </ul>
<p><b>.42</b> The review team should also obtain a sufficient understanding of the reviewed firm’s system of quality control with respect to each of the quality control elements in SQCS No. 8 to plan the review (see interpretations). SQCS No. 8 requires every CPA firm, regardless of its size, to have a system of quality control for its accounting and auditing practice. It states that the quality control policies and procedures applicable to a professional service provided by the firm should encompass the following elements: leadership responsibilities for quality within the firm (the “tone at the top”); relevant ethical requirements (such as independence, integrity and objectivity); acceptance and continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring. It also states that the nature, extent, and formality of a firm’s quality control policies and procedures should be appropriately comprehensive and suitably designed in relation to the firm’s size, the number of its offices, the degree of operating</p>		<ul style="list-style-type: none"> <li>• Moved first sentence to the preceding par.</li> <li>• Removed the remainder because it is a reiteration of other professional standards.</li> </ul>

<p>autonomy allowed its personnel and its offices, the knowledge and experience of its personnel, the nature and complexity of the firm's practice, and appropriate cost-benefit considerations.</p>		
<p><b>.43</b> The understanding obtained by the review team should include knowledge about the design of the reviewed firm's quality control policies and procedures in accordance with quality control standards established by the AICPA and how the policies and procedures identify and mitigate risk of material noncompliance with applicable professional standards.</p>	<p><b>210.12</b> The understanding obtained by the reviewer should include knowledge about the firm's</p> <ul style="list-style-type: none"> <li><i>a.</i> organization,</li> <li><i>b.</i> composition of its accounting and auditing practice, and</li> <li><i>c.</i> design of the reviewed firm's quality control policies and procedures in accordance with quality control standards established by the AICPA</li> </ul>	<p>Removed the last part of the sentence because that is the objective of a firm's system of QC, therefore if the firm's system is in compliance with the requirements, then it should mitigate the risk of noncompliance.</p>
<p><b>.44</b> The understanding of the firm's accounting and auditing practice and system of quality control is ordinarily obtained through such procedures as inquiries of appropriate management and other personnel, reviewing the firm's internal policies and procedures, and reviewing the firm's quality control documentation.</p>	<p><b>210.13 &amp; 310.A7</b> To obtain an understanding of the firm's accounting and auditing practice and system of quality control, the reviewer should do the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> Inquire of appropriate management and other personnel</li> <li><i>b.</i> Review the firm's internal policies and procedures</li> <li><i>c.</i> Review the firm's quality control documentation</li> </ul>	

	<p>d. Inquire of the firm regarding elements of the system of quality control residing outside of the firm (Ref: par. 210.A5/310.A11)</p> <p>e. Complete the applicable quality control checklists</p>	
<p><b>.45</b> The review team should obtain a sufficient understanding of the reviewed firm’s monitoring policies and procedures since its last peer review and their potential effectiveness. In doing so, the review team may determine that the firm’s current year’s internal monitoring procedures could enable the review team to reduce, in a cost-beneficial manner, the number of offices and engagements selected for review or the extent of the other testing (see interpretations).</p>	<p><b>210.A17</b> The reviewer may determine that the firm’s current year’s internal monitoring procedures could enable the reviewer to reduce, in a cost-beneficial manner, the extent of the peer review procedures. Refer to the guidance in appendix B, <i>Considering the Firm’s Monitoring Procedures to Reduce a Reviewer’s Testing Procedures</i>.</p>	<p>See Explanatory Memorandum for further explanation: “Change to the Requirements for Onsite Office Visits in System Reviews”</p>
<p><b>Understanding and Assessing Peer Review Risk Factors</b></p>	<p><i>Understanding and Assessing Peer Review Risk</i></p>	
<p><b>.46</b> Just as the performance of an audit involves audit risk, the performance of a System Review involves peer review risk. Peer review risk is the risk that the review team:</p> <p>a. Fails to identify significant weaknesses in the reviewed firm’s system of quality</p>	<p><b>100.11 Peer review risk.</b> The risk that the review team issues an inappropriate report rating on the firm’s system of quality control or compliance with it. It is composed of</p>	

<p>control for its accounting and auditing practice, its lack of compliance with that system, or a combination thereof.</p> <p>b. Issues an inappropriate opinion on the reviewed firm’s system of quality control for its accounting and auditing practice, its compliance with that system, or a combination thereof.</p> <p>c. Reaches an inappropriate decision about the matters to be included in, or excluded from, the report.</p>	<p>inherent risk, control risk, and detection risk.</p>	
<p><b>.47</b> Peer review risk consists of the following two parts:</p> <p>a. The risk (consisting of <i>inherent risk</i> and <i>control risk</i>) that an engagement will not be performed or reported on in conformity with applicable professional standards in all material respects, that the reviewed firm’s system of quality</p>	<p><b>100.11 Inherent risk.</b> In the absence of a system of quality controls, the risk of a reviewed firm’s engagement not being performed or reported on in conformity with the requirements of applicable professional standards in all material respects.</p> <p><b>100.11 Control risk.</b> The risk that an engagement will not be performed or reported on in conformity with the requirements of applicable professional standards in all material respects due to a failure in the reviewed firm’s system of quality control.</p> <p><b>100.11 Detection risk.</b> The risk that the reviewer will fail to detect deficiencies or significant deficiencies in the reviewed firm’s system of quality control.</p>	

<p>control will not prevent such failure, or both.<sup>fn 9 fn 10</sup></p> <p>b. The risk (<i>detection risk</i>) that the review team will fail to detect and report on the design or compliance deficiencies or significant deficiencies in the reviewed firm's system of quality control.</p>		
<p><b>.48</b> Inherent risk and control risk relate to the reviewed firm's accounting and auditing practice and its system of quality control. These risks may be affected by circumstances arising within the firm (for example, individual partners have engagements in numerous specialized industries or the firm has a few engagements constituting a significant portion of the firm's accounting and auditing practice) or outside the firm (for example, new professional standards being applied for the first time or adverse economic developments in an industry).</p>		<p>Removed</p>

<sup>fn 9</sup> *Inherent risk* is the likelihood that an accounting or auditing engagement will fail to conform to professional standards, assuming the firm does not have a system of quality control.

<sup>fn 10</sup> *Control risk* is the risk that a firm's system of quality control will not prevent the performance of an engagement that does not conform to professional standards. It consists of two parts: the firm's control environment and its quality control policies and procedures. The control environment represents the collective effort of various factors on establishing, enhancing, or mitigating the effectiveness of specific quality control policies and procedures. The control environment reflects the overall attitude, awareness, and actions of firm management concerning the importance of quality work and its emphasis in the firm.

<i>Assessing Peer Review Risk</i>	<i>Understanding and Assessing Peer Review Risk</i>	
<p><b>.49</b> In planning the review, the review team should use the understanding it has obtained of the reviewed firm’s accounting and auditing practice and its system of quality control to assess the inherent and control risks. The assessment of risks is qualitative and not quantitative. The lower the inherent and control risk, the higher the detection risk that can be tolerated and vice versa. Based on its assessment of inherent and control risk, the review team determines the acceptable level of detection risk.</p>	<p><b>210.15</b> The reviewer should use the understanding of the firm’s accounting and auditing practice and system of quality control to assess inherent and control risks. The assessment of risk is qualitative and not quantitative.</p> <p><b>210.18</b> The reviewer should determine an acceptable level of detection risk based on the assessment of inherent and control risk. There is an inverse relationship between inherent and control risk with detection risk. (Ref: par. .A11)</p> <p><b>210.A11</b> The lower the inherent and control risk, a higher detection risk may be tolerated, and vice versa.</p>	<p>See Explanatory Memorandum for further explanation: “Change to the Requirements for Onsite Office Visits in System Reviews”</p>
<p><b>.50</b> When assessing risk, the review team should evaluate the reviewed firm’s quality control policies and procedures over its accounting and auditing practice in relation to the requirements contained in SQCS No. 8. This evaluation provides a basis for the review team to determine whether the reviewed firm has adopted appropriately comprehensive and suitably designed policies and procedures that</p>	<p><b>210.14</b> When obtaining an understanding of the firm’s system of quality control, the reviewer should evaluate the design of the firm’s quality control policies and procedures in relation to the size and nature of the firm’s accounting and auditing practice and determine if it is appropriately comprehensive and suitably designed.</p>	

<p>are relevant to the size and nature of its practice.</p>		
<p><b><i>Relationship of Risk to Scope</i></b></p>		
<p><b>.51</b> The review team should consider the combined assessed levels of inherent and control risk when selecting offices and engagements to be reviewed. The higher the combined assessed levels of inherent and control risk, the higher the peer review risk. To reduce the peer review risk to an acceptable low level, the detection risk needs to be low, and thus the greater the scope (that is, the greater the number of offices that should be visited or the greater the number of engagements that should be reviewed, or both). Conversely, the lower the combined assessed levels of inherent and control risk, the smaller the scope that needs to be considered for review. The combined assessed levels of inherent and control risk may vary among offices and engagements so that the scope may be greater for some types of offices and engagements than for others.</p>		<ul style="list-style-type: none"> <li>• Removed as this is covered in mapping of extant par. .49</li> <li>• See Explanatory Memorandum for further explanation: “Change to the Requirements for Onsite Office Visits in System Reviews”</li> </ul>
<p><b>.52</b> However, even when the combined assessed levels are low, the peer review team must review some engagements to obtain reasonable assurance that the reviewed firm is complying with its quality control policies and procedures and applicable professional standards. For the</p>	<p><b>210.20 &amp; 310.A9</b> To obtain reasonable assurance that the firm is complying with its quality control policies and procedures and applicable professional standards, the reviewer should review a reasonable cross section of the firm’s accounting and auditing</p>	

<p>review team to obtain such assurance, a reasonable cross section of the reviewed firm’s accounting and auditing engagements must be reviewed or inspected, with greater emphasis on those portions of the practice with higher combined assessed levels of inherent and control risk (see interpretations).</p>	<p>engagements, with greater emphasis on those portions of the practice with higher combined assessed levels of inherent and control risk. (Ref: par. .A13–.A14 and .A16)</p>	
<p><b>Planning and Performing Compliance Tests</b></p>	<p><b>Testing Compliance With the Firm’s System of Quality Control (Ref: par. .10)</b></p>	
<p><b>.53</b> After performing the aforementioned planning procedures, the team captain should then develop a general plan for the nature and extent of conducting compliance tests of engagements (to directly test the “engagement performance” element in SQCS No. 8) and the other elements described in SQCS No. 8 (collectively referred to as the <i>functional areas</i>). The compliance tests should be tailored to the practice of the reviewed firm and, taken as a whole, should be sufficiently comprehensive to provide a reasonable basis for concluding whether the reviewed firm’s system of quality control was complied with to provide the firm with reasonable (not absolute) assurance of performing and reporting in conformity with applicable professional standards in the conduct of its accounting and auditing practice in all material respects.</p>		<ul style="list-style-type: none"> <li>• Removed as it is mapped in extant par. .52 above.</li> </ul>

<p><b>.54</b> Such tests should be performed at the practice office(s) visited and should relate to individual engagements and the functional areas (elements of the firm’s system of quality control). The tests should include the following:</p> <ul style="list-style-type: none"> <li>a. Review significant risk areas (see <a href="#">paragraph .65</a>) on selected engagements, including accounting and auditing documentation, and reports, to evaluate whether the engagements were performed and reported on in conformity with applicable professional standards and in compliance with relevant firm quality control policies and procedures.</li> <li>b. Interview firm personnel at various levels and, if applicable, other persons responsible for a function or activity to assess their understanding of, and compliance with, the firm’s quality control policies and procedures.</li> <li>c. Review evidential material to determine whether the firm has complied with its policies and procedures for each element of its system of quality control, which may include evidence since the previous peer review.</li> <li>d. Review other evidential material as appropriate. Examples include selected</li> </ul>	<p><b>210.31 &amp; 310.A10</b> To test the firm’s compliance with its system of quality control and applicable professional standards, the reviewer should do the following:</p> <ul style="list-style-type: none"> <li>a. Review and evaluate the highest-risk areas on selected engagements, including accounting and auditing documentation, and reports. (Ref: par. .A25)</li> <li>b. Interview firm personnel at various levels to assess their understanding of, and compliance with, the firm’s system of quality control.</li> <li>c. Review evidence to determine whether the firm has complied with its policies and procedures for each element of its system of quality control, which may include evidence since the previous peer review. (Ref: par. .A26)</li> <li>d. Review other evidence as appropriate. (Ref: par. .A27 and .A28)</li> </ul> <p><b>210.A27</b> Examples of other evidence include, but are not limited to</p> <ul style="list-style-type: none"> <li>a. selected administrative or personnel files,</li> <li>b. correspondence files documenting consultations on technical or ethical questions,</li> <li>c. files evidencing compliance with human resource requirements, and</li> </ul>	<ul style="list-style-type: none"> <li>• See explanation of proposed changes in the explanatory memorandum of the exposure draft – Request for comment regarding “Change to the requirements for onsite office visits in system reviews”</li> </ul>
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<p>administrative or personnel files, correspondence files documenting consultations on technical or ethical questions, files evidencing compliance with human resource requirements, and the firm's technical reference sources (see interpretations).</p>	<p><i>d.</i> the firm's technical reference sources.</p> <p><b>210.A28</b> A firm may have requirements embedded in its quality control policies and procedures that do not directly contribute to the firm's compliance with the quality control standards established by the AICPA. For example, voluntary membership requirements that do not directly contribute to the firm's compliance would not be tested, addressed, or reported on in the peer review process.</p>	
<p><b><i>Scope Limitations</i></b></p>	<p><b>Scope Limitations</b></p>	
<p><b>.55</b> There is a presumption that all engagements and all aspects of functional areas otherwise subject to the peer review will be included in the scope of the review. However, in the rare situations when exclusions or other limitations on the scope of the review are being contemplated, a team captain should carefully consider the implications of such exclusion. This includes communicating to the firm and the administering entity the effect on the review and on the ability of the team captain to issue a peer review report (see interpretations).</p>	<p><b>210.29</b> It is presumed that all engagements and elements of the firm's system of quality control are subject to the peer review. In the rare situations in which there are exclusions or other limitations on the scope of the peer review, the reviewer should contact the administering entity and do the following:</p> <p><i>a.</i> Assess the reasonableness of the reasons for exclusions</p> <p><i>b.</i> Assess the effect on peer review risk assessments and scope</p> <p><i>c.</i> Consider whether alternate procedures can be performed</p>	<ul style="list-style-type: none"> <li>• Includes some requirements from extant interpretation 55-1.</li> </ul>

	<p><i>d.</i> Determine the effect on the peer review and on the ability of the team captain to issue a peer review report</p>	
<p><b><i>Selection of Offices</i></b></p>	<p><i>Engagement selection</i></p>	
<p><b>.56</b> Visits to practice offices should be sufficient to provide the review team with a reasonable basis for its conclusions regarding whether the reviewed firm’s quality control policies and procedures are adequately communicated throughout the firm and whether its system of quality control was complied with during the year under review based on a reasonable cross section of the reviewed firm’s accounting and auditing practice, with greater emphasis on those offices with higher assessed levels of peer review risk. Examples of the factors to consider when assessing peer review risk at the office level include the following (see interpretations):</p> <ul style="list-style-type: none"> <li><i>a.</i> The number, size, and geographic distribution of offices</li> <li><i>b.</i> The degree of centralization of accounting and auditing practice control and supervision</li> </ul>	<p><b>210.A14</b> Risk factors that may influence a reviewer’s decision to visit or select engagements from a particular office include, but are not limited to the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> The number, size, and geographic distribution of offices</li> <li><i>b.</i> The degree of centralization of accounting and auditing practice control and supervision</li> <li><i>c.</i> The reviewer’s evaluation, if applicable, of the firm’s monitoring procedures</li> <li><i>d.</i> Recently merged or recently opened offices</li> <li><i>e.</i> The significance of industry concentrations and of specialty engagements, such as governmental compliance audits or regulated industries, to the firm and to individual offices</li> <li><i>f.</i> Extent of non-audit services to audit clients</li> </ul>	

<ul style="list-style-type: none"> <li><i>c.</i> The review team’s evaluation, if applicable, of the firm’s monitoring procedures</li> <li><i>d.</i> Recently merged or recently opened offices</li> <li><i>e.</i> The significance of industry concentrations and of specialty practice areas, such as governmental compliance audits or regulated industries, to the firm and to individual offices</li> <li><i>f.</i> Extent of non-audit services to audit clients</li> <li><i>g.</i> Significant clients’ fees to practice office(s) and partner(s)</li> </ul>		
<p><b>.57</b> For a multi-office firm, the review should include, in addition to any offices selected using the risk-based criteria, a visit to the firm’s executive office if one is designated as such.</p>		<p>Removed as STF considered this to be based upon risk rather than explicitly required.</p> <p>See explanation of proposed changes in the explanatory memorandum of the exposure draft – Request for comment regarding “Change to the requirements for onsite office visits in system reviews”</p>

<i>Selection of Engagements</i>	<i>Engagement Selection</i>	
<p><b>.58</b> Engagements subject to selection for review ordinarily should be those with periods ending during the year under review, except financial forecasts or projections and agreed upon procedures (see interpretations). Financial forecasts or projections and agreed upon procedures with report dates during the year under review would be subject to selection. If the current year’s engagement has not been completed and issued, and if a comparable engagement within the peer review year is not available, the prior year’s engagement may be reviewed. If the subsequent year’s engagement has been completed and issued, the review team should consider, based on its assessment of peer review risk, whether the more recently completed and issued engagement should be reviewed instead (see interpretations). Review team members should not have contact with or access to any client of the reviewed firm in connection with the peer review.</p>	<p><b>210.24</b> Engagements subject to selection for review should be those with periods ending during the year under review, except financial forecasts or projections and agreed-upon procedures engagements. For engagements without period ends, engagements with report dates during the year under review would be subject to selection. (Ref: par. .A19–.A20)</p> <p><b>210.A19</b> If an engagement from the peer review year has not yet been issued, and a comparable engagement issued within the peer review year is not available, the prior year’s engagement may be reviewed.</p> <p><b>210.A20</b> If an engagement from the peer review year and the subsequent year’s engagement have been issued, the reviewer may select the more recently issued engagement based on their assessment of peer review risk factors including, but not limited to the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> Whether the engagement was performed during the peer review year</li> <li><i>b.</i> The number of subsequent engagements available and selected for review</li> </ul>	

	<p><i>c.</i> Significant changes in the applicable professional standards</p> <p><i>d.</i> The differences in issues identified in the engagements</p> <p><b>200.20</b> Reviewers should not have contact with any client of the reviewed firm in connection with the peer review without prior approval of the firm and client.</p>	
<p><b>.59</b> Engagements selected for review should provide a reasonable cross section of the reviewed firm’s accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk. Examples of the factors to consider when assessing peer review risk at the engagement level include size; industry area; level of service; personnel (including turnover, use of merged-in personnel, or personnel not routinely assigned to accounting and auditing engagements); communications from regulatory, monitoring, or enforcement bodies; extent of non-audit services to audit clients; significant clients’ fees to practice office(s) and partner(s); and initial engagements (see interpretations).</p>		<ul style="list-style-type: none"> <li>• See mapping of extant interpretation 52-1</li> </ul>

<p><b>.60</b> The review of engagements should usually be directed toward the accounting and auditing work performed by the practice office visited, including the work performed on those engagements by other practice offices of the reviewed firm or other public accounting firms. For those situations in which the practice office being visited performed accounting and auditing work for another practice office, the review team may limit its review to portions of the engagements performed by the practice office being visited but should evaluate the appropriateness of the instructions issued by the other practice office and the adequacy of the procedures followed in performing and reporting in conformity with applicable professional standards. When combined with other procedures performed, the number and type of accounting and auditing engagements selected by the review team for review should be sufficient to provide the review team with a reasonable basis for its conclusions regarding the reviewed firm’s system of quality control.</p>		<ul style="list-style-type: none"> <li>Removed – superfluous explanation as these considerations are covered by other requirements and application material</li> </ul>
<p><b>.61</b> The initial selection of engagements to be reviewed should ordinarily be provided to the reviewed firm no earlier than three weeks prior to the commencement of the peer review procedures at the related practice office or location. This should provide ample time to enable the firm (or office) to assemble the required client information and engagement documentation</p>	<p><b>210.28</b> To provide the firm assembly time, the reviewer should provide the selection of engagements to be reviewed to the reviewed firm no more than two weeks before the reviewer plans to begin reviewing the engagements. (Ref: par. .A24)</p>	<p>See explanatory memo of exposure draft for request for comment regarding acceptable timeframe.</p>

<p>before the review team commences the review. However, at least one engagement from the initial selection to be reviewed should be provided to the firm once the review commences and not provided to the firm in advance. Ordinarily, based on the nature of the firm’s practice and assuming that the engagement would not be automatically anticipated for selection by the reviewed firm, the engagement should be an audit. Otherwise, the engagement should be the firm’s next highest level of service where the same criteria can be met. This should not increase the scope of the review (see interpretations).</p>		<p>See further detailed explanation in the explanatory memo regarding “Removal of the Requirement for Surprise Engagements in System Reviews”</p>
<p><b>.62</b> The process of engagement selection, except as noted in <a href="#">paragraph .63</a>, like office selection, is not subject to definitive criteria. Nevertheless, if the team captain finds that meeting all of the preceding criteria results in the selection of an inappropriate scope of the firm’s accounting and auditing practice, the team captain should consult with the administering entity about the selection of engagements for review (see interpretations).</p>		<ul style="list-style-type: none"> <li>• Removed as this does not reflect an explicit requirement and is addressed in application material.</li> </ul>
<p><b>.63</b> Specific types or number of engagements must be selected in a System Review (see interpretations).</p>	<p><b>210.27</b> Specific types of engagements should be selected in a system review (must select). Appendix C, “Additional Requirements for Must-Select and Must-Cover Engagements,”</p>	

	contains the engagements included in these designations. (Ref: par. .A23)	
<i>Extent of the Review of Engagements</i>	<i>Evaluation of Engagements</i>	<ul style="list-style-type: none"> <li>• Changed heading to be consistent with PR-C sec. 220.</li> </ul>
.64 The review of engagements should include the review of financial statements, accountants' reports, accounting and audit documentation, and correspondence, as well as discussions with professional personnel of the reviewed firm.	<p><b>210.36 &amp; 310.A11</b> The reviewer should evaluate each engagement selected for review. The evaluation should include the following:</p> <ol style="list-style-type: none"> <li>Consideration of the financial statements or information and the related accountants' reports</li> <li>Review of accounting and audit documentation required by the applicable professional standards</li> <li>Consideration of information related to the engagement obtained through the peer review including, but not limited to engagement profile information, representations made by the firm and other inquiries</li> </ol>	<ul style="list-style-type: none"> <li>• Changed to be consistent with PR-C sec. 220 (see mapping of extant par. .108)</li> </ul>
.65 Audit engagements have areas in which risk may be inherently significant, such as, but not limited to, fraud considerations, use of estimates, emerging issues, and assertions that are difficult to audit. The review team's	<b>210.37 &amp; 310.A12</b> When evaluating an audit engagement, the reviewer's procedures should include determining whether the	

<p>procedures should include determining whether the reviewed firm has appropriately:</p> <ol style="list-style-type: none"> <li>a. Identified the significant risk areas on each audit engagement selected for the peer review,</li> <li>b. Performed the necessary audit procedures related to the identified significant risk areas, and</li> <li>c. Documented the auditing procedures performed in these significant risk areas.</li> </ol>	<p>reviewed firm has appropriately done the following: (Ref: par. 210.A31)</p> <ol style="list-style-type: none"> <li>a. Identified the significant risk areas on each audit engagement selected for the peer review</li> <li>b. Performed the necessary audit procedures related to the identified significant risk areas</li> <li>c. Documented the auditing procedures performed in these significant risk areas</li> </ol> <p><b>210.A31</b> Audit engagement areas where risk may be significant, include but are not limited to, fraud considerations, use of estimates, emerging issues, and assertions that are difficult to audit.</p>	
<p><b><i>Concluding on the Review of an Engagement</i></b></p>		
<p><b>.66</b> For each engagement reviewed, the review team should conclude on its review by documenting whether anything came to its attention that caused it to believe that the engagement was not performed or reported on in conformity with applicable professional standards in all material respects (see interpretations).</p>		<ul style="list-style-type: none"> <li>• Removed because covered in mapping of extant interpretation 66-1, which is consistent with PR-C sec. 220.</li> </ul>
<p><b>.67</b> The team captain should promptly inform the firm when an engagement is not performed or reported on in conformity with applicable professional standards and remind the firm of</p>	<p><b>210.39</b> The reviewer should promptly inform the firm when an engagement is not performed or reported on in conformity with applicable professional standards in all material</p>	<ul style="list-style-type: none"> <li>• Changes are consistent with PR-C sec. 220.18</li> </ul>

<p>its obligation under professional standards to take appropriate actions (see interpretations).</p>	<p>respects (the engagement is nonconforming) and remind the firm of its obligation under professional standards to take appropriate actions. (Ref: par. .A32)</p> <p><b>210.41</b> At a minimum, a nonconforming engagement should be documented as a matter on an MFC form.</p>	
<p><i>Expansion of Scope</i></p>	<p><i>Expansion of Scope</i></p>	
<p><b>.68</b> If, during the peer review, the review team concludes that there was a failure to reach an appropriate conclusion on the application of professional standards in all material respects on one or more of the reviewed engagements or elements of the firm’s system of quality control, the review team should consider whether the application of additional peer review procedures is necessary. This consideration should be documented in the peer review working papers. The objective of the application of additional procedures would be to determine whether the failure is indicative of a pattern of such failures, whether it is a finding, deficiency, or significant deficiency in the design of the reviewed firm’s system of quality control or in its compliance with the system, or whether it is both. In some circumstances, the reviewer may conclude that, because of compensating controls or for other reasons, further procedures are unnecessary. If,</p>	<p><b>210.42</b> If the reviewer concludes that one or more engagements are nonconforming or there is a matter in one or more elements of the firm’s system of quality control, the reviewer should document their consideration of whether the application of additional peer review procedures, an expansion of scope, is necessary. (Ref: par. .A33–.A34)</p> <p><b>210.A33</b> An expansion of scope may include the review of all or relevant portions of one or more engagements. Additional engagements may be</p> <ul style="list-style-type: none"> <li>a. in the same industry,</li> <li>b. supervised by the same individual, or</li> </ul>	

<p>however, additional procedures are deemed necessary, they may include an expansion of scope to review all or relevant portions of one or more additional engagements or aspects of functional areas. Additional engagements may be in the same industry, supervised by the same individual in the reviewed firm, or otherwise have characteristics associated with the failure to perform or report in conformity with professional standards.</p>	<p>c. have characteristics associated with the failure to perform or report in conformity with applicable professional standards.</p> <p><b>210.A34</b> An expansion of scope may be necessary to determine</p> <p>a. the pattern and pervasiveness of matters identified,</p> <p>b. the systemic cause of a matter,</p> <p>c. if a matter is isolated, or</p> <p>d. if a matter should be elevated to a finding, deficiency, or significant deficiency.</p>	
<p><b>Identifying Matters, Findings, Deficiencies, and Significant Deficiencies</b></p>	<p><i>Identifying Matters, Findings, Deficiencies, and Significant Deficiencies</i></p>	
<p><b>.69</b> In understanding the firm’s system of quality control, the team captain may note that the system is not designed appropriately. Similarly, the performance of compliance tests may uncover that the system is not being complied with appropriately or may identify a design weakness that was not identified during the planning of the peer review. With any of these items, the team captain has available a set of</p>		<ul style="list-style-type: none"> <li>• Removed</li> </ul>

<p>definitions to assist in classifying the condition noted.</p>		
<p><b>.70</b> Determining the relative importance of matters noted during the peer review, individually or combined with others, requires professional judgment. Careful consideration is required in forming conclusions. The descriptions that follow, used in conjunction with practice aids (MFC, DMFC, and FFC forms) to document these items when applicable, are intended to assist in aggregating and evaluating the peer review results, concluding on them, and determining the nature of the peer review report to issue:</p> <p><i>a.</i> A peer reviewer notes a <i>matter</i> as a result of his or her evaluation of the design of the reviewed firm’s system of quality control or tests of compliance with it. Tests of compliance include inspection, inquiry, and observation performed by reviewing engagements and testing other aspects of the reviewed firm’s system of quality control. Matters are typically one or more “No” answers to questions in peer review questionnaire(s) that a reviewer concludes warrants further consideration in the evaluation of a firm’s system of quality control. A</p>	<p><b>210.44</b> The reviewer should determine the relative importance of matters noted during the peer review, individually and in the aggregate. To determine if a matter should be elevated to a finding, deficiency, or significant deficiency, the reviewer should consider the matter’s relative importance to the firm’s system of quality control, taking into consideration the nature, systemic cause, pattern, or pervasiveness of it. (Ref: par. .A35–.A36)</p> <p><b>210.A36</b> One or more matters may be elevated to a finding, deficiency, or significant deficiency.</p> <p><b>210.43</b> The reviewer should document a matter on an MFC form when the reviewer identifies one or more “no” answers to questions on peer review checklists that the reviewer concludes warrants further consideration in the evaluation of a firm’s system of quality control. Matters of a similar nature or systemic cause should be documented on one MFC.</p> <p><b>100.11 Matter.</b> One or more “No” answers to questions in peer review checklists identified during a system review or an engagement review.</p>	

matter is documented on a Matter for Further Consideration (MFC) form.

- b. A *finding* is one or more related matters that result from a condition in the reviewed firm’s system of quality control or compliance with it such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with applicable professional standards. A peer reviewer will conclude whether one or more findings are a deficiency or significant deficiency. If the peer reviewer concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of *pass* is appropriate. A finding not rising to the level of a deficiency or significant deficiency is documented on a Finding for Further Consideration (FFC) form.
- c. A *deficiency* is one or more findings that the peer reviewer has concluded, due to the nature, systemic causes (see [paragraph .75](#)), pattern, or pervasiveness, including the relative importance of the finding to the reviewed firm’s system of quality control taken as a whole, could create a situation in which the firm would not have reasonable assurance of performing or reporting in conformity

- *System reviews* – One or more “No” answers to questions in peer review checklists that a reviewer concludes warrants further consideration in the evaluation of a firm’s system of quality control. A matter should be documented as a matter for further consideration (MFC) on an MFC form. (Ref: section 210, *General Principles and Responsibilities for Reviewers — System Reviews* and section 310, *General Principles and Responsibilities for Firms — System Reviews*)

**100.11 Finding (system reviews).** One or more related matters that result from a condition in the reviewed firm’s system of quality control or compliance with the system such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with the requirements of applicable professional standards. A finding should be documented as a finding for further consideration (FFC) on an FFC form.

**100.11 Deficiency (system reviews).** One or more matters that the reviewer has concluded could create a situation in which the reviewed firm would not have reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in one or more important respects. Deficiencies should be documented in a peer

<p>with applicable professional standards in one or more important respects. It is not a significant deficiency if the peer reviewer has concluded that except for the deficiency or deficiencies, the reviewed firm has reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Such deficiencies are communicated in a report with a peer review rating of <i>pass with deficiencies</i>.</p> <p>d. A <i>significant deficiency</i> is one or more deficiencies that the peer reviewer has concluded results from a condition in the reviewed firm’s system of quality control or compliance with it such that the reviewed firm’s system of quality control taken as a whole does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects. Such deficiencies are communicated in a report with a peer rating of <i>fail</i>.</p>	<p>review report with a rating of pass with deficiencies.</p> <p><b>100.11 Significant deficiency.</b> One or more matters in a system review that the reviewer has concluded creates a situation in which the reviewed firm’s system of quality control does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in all material respects. Significant deficiencies should be documented in a peer review report with a rating of fail.</p> <p><b>210.53</b> The reviewer should document a finding on an FFC form when the reviewer concludes that one or more related matters result from a condition in the reviewed firm’s system of quality control or compliance with it such that there is more than a remote possibility that the reviewed firm would not perform or report in conformity with the requirements of applicable professional standards.</p> <p><b>210.54</b> The team captain should document a deficiency in the report when the reviewer has concluded the firm would not have reasonable assurance of performing or reporting in conformity with the requirements of applicable professional standards in one or more important respects, due to the relative importance of the matter to the reviewed firm’s system of quality</p>	
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	<p>control or compliance with it, taking into consideration the nature, systemic causes, pattern, or pervasiveness of the matter.</p> <p><b>210.55</b> The team captain should document a significant deficiency in the report when the captain has concluded the reviewed firm’s system of quality control does not provide the reviewed firm with reasonable assurance of performing or reporting in conformity with applicable professional standards in all material respects, due to the relative importance of the matter to the reviewed firm’s system of quality control or compliance with it, taking into consideration the nature, systemic causes, pattern, or pervasiveness of the matter.</p>	
<p><b>.71</b> A broad understanding of the peer review process, from the preliminary evaluation of the design of the system of quality control, to the tests of compliance, to the decision making process of determining whether an item noted during a System Review is a matter, finding, deficiency, or significant deficiency, is shown in <a href="#">exhibit A</a>. The exhibit also illustrates the aggregation of these items, where those items are documented in the practice aids and how they might affect the type of report issued.</p>		<p>Removed</p>
<p><b>Exhibit A</b></p>	<p><b>210.A35 Exhibit A</b></p>	

<p><b>.72</b> As described by <a href="#">exhibit A</a> in paragraph .71, depending on the resolution of a matter and the process of aggregating and evaluating peer review results, a matter may develop into a finding. Findings will also be evaluated and, after considering the nature, systemic causes (see <a href="#">paragraph .75</a>), pattern, pervasiveness, and relative importance to the system of quality control as a whole, may not get elevated to a deficiency. A matter may develop into a finding and get elevated to a deficiency. That deficiency may or may not be further elevated to a significant deficiency.</p>		<ul style="list-style-type: none"> <li>• Exhibit included in exposure draft; remainder removed b/c covered in mapping of extant par. .70.</li> </ul>
<p><b>.73</b> A matter is documented on a MFC form. If the matter, after further evaluation, gets elevated to a finding but not a deficiency or significant deficiency, it is documented on a FFC form. The FFC form is a standalone document that includes the description of the finding, the systemic cause, if known (see <a href="#">paragraph .75</a>), and the reviewed firm’s response regarding actions planned or taken and the timing of those actions by the firm. The description of the finding should include the applicable requirement of Statements on Quality Control Standards, the scenario that led to the finding, and should reference nonconforming engagements as a result of the finding, if applicable. MFC and FFC forms are subject to review and oversight by the administering entity, who will evaluate the reviewed firm’s</p>		<ul style="list-style-type: none"> <li>• Removed because the instructions of the forms will refer to requirements of MFC and FFC.</li> </ul>

<p>FFC form responses for appropriateness and responsiveness (see <a href="#">paragraphs .141–.145</a>) and determine whether any further action is necessary. If the matter documented on the MFC form is instead elevated to a deficiency or significant deficiency, then it is communicated in the report itself. The firm submits a letter of response regarding actions planned or taken and the timing of those actions by the firm, which is also evaluated for appropriateness and responsiveness (see <a href="#">paragraphs .139–.140</a>).</p>		
<p><b>.74</b> In order to document the disposition of all the MFCs, the team captain completes a DMFC form. The DMFC form is part of the working papers and provides a trail of the disposition of the MFCs for the peer reviewer, administering entity, and individuals conducting technical reviews or oversight. All of the MFCs are identified on the DMFC form with an indication after each as to whether it was cleared, discussed with the firm during the closing meeting or exit conference (see <a href="#">paragraphs .91 and .92</a>), included on a specific FFC form (individually or combined with other MFCs), or included as a deficiency in a report with a peer review rating of <i>pass with deficiencies</i> or as a significant deficiency in a report with a peer review rating of <i>fail</i>.</p>	<p><b>210.56</b> The team captain should complete a Disposition of Matters for Further Consideration (DMFC) for all MFCs indicating whether each MFC was</p> <ol style="list-style-type: none"> <li>a. discussed with the firm and deemed resolved or considered insignificant,</li> <li>b. included on a specific FFC (individually or combined with other MFCs), or</li> <li>c. included as a deficiency or significant deficiency (individually or combined with other MFCs) in a report with a peer review rating of pass with deficiencies or fail, respectively.</li> </ol>	<ul style="list-style-type: none"> <li>• Changes align with PR-C sec. 220.16</li> </ul>

Aggregating and Evaluating Matters	Aggregating and Evaluating Matters	
<p><b>.75</b> The team captain, in collaboration with the firm, should determine the systemic cause of matters identified. A systemic cause is a weakness in the firm’s system of quality control that allowed a matter to occur or remain undetected. Proper determination of the systemic cause is essential to assist the firm with identifying the appropriate remediation of the firm’s system of quality control. To conclude on the results of a peer review, the review team must aggregate the matters noted during the peer review and determine whether the matters were the result of the design of the reviewed firm’s system of quality control or the failure of its personnel to comply with the firm’s quality control policies and procedures. The review team should consider the relative importance of the matters to the firm’s system of quality control as a whole, including the nature, systemic causes, pattern, and pervasiveness, to determine the impact to the peer review report. In rare circumstances where it is not practicable to identify the systemic cause, the team captain should document the reason(s) as part of his or her summary review memorandum.</p>	<p><b>210.45</b> The reviewer should discuss and determine in concurrence with the firm the systemic cause of matters identified. (Ref: par. .A37–.A38)</p> <p><b>100.11 Systemic cause (system reviews).</b> A condition in the firm’s system of quality control that allowed noncompliance to occur and remain undetected.</p> <p><b>210.50</b> To conclude on the results of a peer review, the reviewer should aggregate the matters documented during the peer review and determine whether the matters were the result of the design of the reviewed firm’s system of quality control or the failure of its personnel to comply with the firm’s quality control policies and procedures.</p> <p><b>210.51</b> To determine the relative importance of matters, both individually and in the aggregate, to the firm’s system of quality control, the reviewer should consider each matter’s</p> <ul style="list-style-type: none"> <li><i>a.</i> nature (characteristics),</li> <li><i>b.</i> systemic cause (what went wrong with the firm’s system of quality control),</li> </ul>	

	<p>c. pattern (repeated), and</p> <p>d. pervasiveness (whether it is found throughout the firm’s system of quality control).</p> <p>When the firm has responded to matters, the team captain should consider if the response is appropriate and if the response indicates additional impacts to the peer review conclusions. Additionally, the reviewer should evaluate each matter in the context of the firm’s size, organizational structure, and the nature of its practice. The relative importance of peer review matters to the firm’s system of quality control will determine the impact to the peer review conclusions. In rare circumstances in which it is not practicable to identify the systemic cause, the team captain should document the reason or reasons as part of the summary review memorandum and on the related MFC. (Ref: par. .A44–.A48)</p>	
<p><b>.76</b> Proper application of the standards assists team captains in evaluating the systemic cause of matters and, as a result, the type of report to issue. Use of professional judgment is essential in determining whether the aggregation of the matters noted during the review are findings and whether one or more findings is a deficiency or significant deficiency for purposes of reporting on the results of the peer review.</p>		<ul style="list-style-type: none"> <li>• Removed</li> </ul>

<p><i>Design Matters</i></p>		
<p>.77 A design matter exists when the reviewed firm’s system of quality control is missing a quality control policy or procedure or the reviewed firm’s existing quality control policies and procedures, even if fully complied with, would not result in engagements performed or reported on in accordance with professional standards in some respect. To be effective, a system of quality control must be designed properly, and all of the quality control policies and procedures necessary to provide the reviewed firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects should be in place. Therefore, the review team will need to determine whether the quality control policies and procedures would be effective if they were complied with. To make this determination, the review team should consider the implications of the evidence obtained during its evaluation of the system of quality control and its tests of compliance, including its reviews of engagements. For example, a pattern of engagement failures to perform or report in conformity with applicable professional standards in all material respects (that is, failures requiring the application of AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>, or AU-C</p>	<p><b>100.11 Design matter.</b> When the reviewed firm’s system of quality control is missing a quality control policy or procedure or the reviewed firm’s existing quality control policies and procedures, even if fully complied with, would likely result in engagements not performed or reported on in accordance with professional standards.</p>	

<p>section 585, <i>Consideration of Omitted Procedures After the Report Release Date</i> [AICPA, <i>Professional Standards</i>]), likely is indicative of a matter pertaining to the design of the reviewed firm’s quality control policies and procedures. Depending upon the resolution of the matter and the process of aggregating and evaluating peer review results, the matter may develop into a finding, deficiency, or significant deficiency.</p>		
<p><b>.78</b> As noted in SQCS No. 8, “The nature of the policies and procedures developed by individual firms to comply with this Statement will depend on various factors such as the size and operating characteristics of the firm.” Likewise, the relative importance of design matters noted in the reviewed firm’s quality control policies and procedures, individually and in the aggregate, need to be evaluated in the context of the firm’s size, organizational structure, and the nature of its practice. For example, a matter noted during the review of a quality control policy or procedures may be particularly or wholly offset by another policy or procedure. In this circumstance, the review team should consider the interrelationships among the elements of quality and weigh the matters noted against compensating policies and procedures to determine whether a finding exists and its relative importance.</p>	<p><b>210.52</b> The reviewer should consider the interrelationships among the elements of quality control and weigh the matters against compensating policies and procedures to determine the impact to the peer review conclusions.</p>	<ul style="list-style-type: none"> <li>• Relative importance of matters does not need to be bifurcated between design and compliance, therefore covered in par. .75.</li> </ul>

<p><b>.79</b> There may be circumstances in which the reviewer identifies few findings in the work performed by the firm and yet may conclude that the design of the firm’s system of quality control needs to be improved. For example, a firm that is growing rapidly and adding personnel and clients may not be giving appropriate attention to the policies and procedures necessary in areas such as human resources (hiring, assigning personnel to engagements, and advancement) and acceptance and continuance of clients and engagements. A reviewer might conclude that these conditions could create a situation in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects and may result in a deficiency in a report with a peer review rating of <i>pass with deficiencies</i> or <i>fail</i> (interpretations).</p>	<p><b>210.A46</b> There may be circumstances in which the reviewer identifies few findings in the work performed by the firm but may conclude that the firm’s system of quality control would not be effective if complied with. For example, a firm that is growing rapidly and adding personnel and clients may not be giving appropriate attention to the policies and procedures necessary in areas such as human resources (hiring, assigning personnel to engagements, and advancement) and acceptance and continuance of clients and engagements. A reviewer may conclude that these conditions could create a situation in which the firm would not have reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects and may result in a deficiency or significant deficiency in a report with a peer review rating of <i>pass with deficiencies</i> or <i>fail</i>.</p>	
<p><b><i>Compliance Matters</i></b></p>		
<p><b>.80</b> A compliance matter exists when a properly designed quality control policy or procedure does not operate as designed because of the failure of the personnel of the reviewed firm to comply with it. Because a variance in individual performance and professional</p>	<p><b>100.11 Compliance matter.</b> When a firm’s properly designed quality control policy or procedure does not operate as designed, as evidenced by the failure of reviewed firm personnel to comply with such system.</p>	

<p>interpretation will affect the degree of compliance, adherence to all policies and procedures in every case generally is not possible. However, the degree of compliance by the personnel of the reviewed firm with its prescribed quality control policies and procedures should be adequate to provide the reviewed firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</p>	<p><b>210.A47</b> Variances in individual performance and professional interpretation may affect the degree of compliance with a firm’s system of quality control. However, the degree of compliance with the firm’s quality control policies and procedures needs to be adequate to provide the reviewed firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</p>	
<p><b>.81</b> In assessing whether the degree of compliance was adequate to provide the required assurance, the review team should consider the nature, systemic causes, pattern, and pervasiveness of the instances of noncompliance noted and their relative importance to the firm’s system of quality control as a whole, not merely their importance in the specific circumstances in which they were observed. As with the evaluation of design matters, compliance matters also need to be evaluated in the context of the firm’s size, organizational structure, and the nature of its practice.</p>		<ul style="list-style-type: none"> <li>• Removed covered in mapping of extant par. .75.</li> </ul>
<p><b>.82</b> To determine the degree of noncompliance, the review team should evaluate the matters of noncompliance, both individually and in the aggregate, recognizing that adherence to certain policies and procedures of the reviewed firm is more critical to the firm obtaining reasonable</p>	<p><b>210.A44</b> The more direct relationship between a specific quality control policy and procedure and the application of professional standards, the greater the probability that the firm may not perform or report in conformity with applicable professional</p>	

<p>assurance of performing and reporting in conformity with applicable professional standards than adherence to others. In this context, the review team should consider the likelihood that noncompliance with a given quality control policy or procedure could have resulted in engagements not being performed or reported on in conformity with applicable professional standards in all material respects. The more direct the relationship between a specific quality control policy or procedure and the application of professional standards, the lower the degree of noncompliance necessary to determine whether a matter (or matters) is a finding and whether a finding is a deficiency or significant deficiency.</p>	<p>standards in all material respects when that policy or procedure is not complied with.</p>	
<p><b><i>Determining Whether There is a Systemic Cause</i></b></p>	<p><i>Determination of the Systemic Cause</i></p>	
<p><b>.83</b> When the review team is faced with an indication that a matter(s) could be a finding, the review team’s first task in such circumstances, in collaboration with the firm, is to determine the systemic cause (see interpretations). Causes that might be systemic and might affect the type of peer review report issued include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>a. The failure related to a specialized industry practice, and the firm had no experience in that industry and made no attempt to acquire training in the</li> </ul>	<p><b>210.A40</b> The following are some examples of systemic causes that could affect the type of peer review report issued. The examples cover a broad range of conditions that may not be relevant to every peer review and are not a complete list.</p> <ul style="list-style-type: none"> <li>a. The failure related to a specialized industry practice, and the firm had no experience in that industry and made no attempt to acquire training in the industry or to obtain appropriate consultation and assistance.</li> </ul>	

<p>industry or to obtain appropriate consultation and assistance.</p> <p><i>b.</i> The failure related to an issue covered by a recent professional pronouncement, and the firm had failed to identify, through professional development programs or appropriate supervision, the relevance of that pronouncement to its practice.</p> <p><i>c.</i> The failure should have been detected if the firm’s quality control policies and procedures had been followed.</p> <p><i>d.</i> The failure should have been detected by the application of quality control policies and procedures commonly found in firms similar in size or nature of practice. That judgment can often be made by the reviewer based on personal experience or knowledge; in some cases, the reviewer will wish to consult with the administering entity before reaching such a conclusion.</p>	<p><i>b.</i> The failure related to an issue covered by a recent professional pronouncement, and the firm had failed to identify, through professional development programs or appropriate supervision, the relevance of that pronouncement to its practice.</p> <p><i>c.</i> The failure may have been detected if the firm’s quality control policies and procedures had been followed.</p> <p><i>d.</i> The failure may have been detected by the application of quality control policies and procedures commonly found in firms similar in size or nature of practice. That judgment can often be made by the reviewer based on personal experience or knowledge; in some cases, the reviewer will wish to consult with the administering entity before reaching such a conclusion.</p>	
<p><b>.84</b> A matter may be the result of an isolated human error and, therefore, would not necessarily mean that a finding, deficiency, or significant deficiency exists (see interpretations). However, if the reviewer believes that the systemic cause (for example, a failure to provide or follow appropriate policies for</p>		<ul style="list-style-type: none"> <li>Removed b/c covered in mapping of extant par. .85.</li> </ul>

<p>supervision of the work of assistants) of a matter on an engagement or within a functional area also exists in other engagements or in other functional areas, the reviewer needs to consider carefully whether to elevate the matter to a finding, deficiency, or significant deficiency.</p>		
<p><b>.85</b> Although an isolated matter or an instance of noncompliance with the firm’s quality control policies and procedures ordinarily would not be included in the report, its nature, systemic cause (if determinable), and relative importance for the firm’s system of quality control as a whole should be evaluated in conjunction with the review team’s other matters before making a final determination (see interpretations).</p>	<p><b>210.A46</b> An isolated matter or instance of noncompliance with the firm’s system of quality control may be elevated to a finding, deficiency, or significant deficiency when evaluated with the review’s other matters (in the aggregate). For example, a single disclosure matter and a single documentation matter may be isolated when taken individually, but they may have resulted from the same systemic cause, or an isolated matter may be materially significant in amount or nature, or both.</p>	<p>PR-C 210.48 for last sentence</p>
<p><i>The Pattern and Pervasiveness of Matters</i></p>		
<p><b>.86</b> The review team must consider the pattern and pervasiveness of matters and their implications for compliance with the firm’s system of quality control as a whole, in addition to their nature, systemic causes, and relative importance in the specific circumstances in which they were observed. As noted in the preceding paragraphs, the review team’s first task is to try to determine why the matters</p>		<ul style="list-style-type: none"> <li>Removed as important element is covered in .A44.</li> </ul>

<p>occurred. In some cases, the design of the firm’s system of quality control may be deficient (for example, when it does not provide for timely involvement in the planning process by a partner of the firm or there is inadequate supervision of engagement planning). In other cases, there may be a pattern of noncompliance with a quality control policy or procedure such as when firm policy requires the completion of a financial statement disclosure checklist but such checklists often were not used or relevant questions or points were incorrectly considered. That increases the possibility that the firm might not perform or report in conformity with applicable professional standards in all material respects, which also means that the reviewer must consider carefully whether the matter(s) individually or in the aggregate is (are) a finding, deficiency, or a significant deficiency. On the other hand, the types of matters noted may be individually different, not individually significant, and not directly traceable to the design of or compliance with a particular quality control policy or procedure. This may lead the reviewer to the conclusion that the matters were isolated cases of human error that should not result in a peer review report with a peer review rating of <i>pass with deficiencies</i> or <i>fail</i>.</p>		
<p><b>Forming Conclusions on the Type of Report to Issue in a System Review</b></p>	<p>Reporting on System Reviews</p>	<ul style="list-style-type: none"> <li>• Consistent with PR-C sec. 220.</li> </ul>

<p><b>.87</b> The team captain must use professional judgment in determining the type of peer review report to issue. This judgment requires the consideration of several factors, including an understanding of the firm’s system of quality control and the nature, systemic causes, pattern, and pervasiveness of matters and their relative importance to the firm’s system of quality control taken as a whole, including limitations on the scope of the review.</p>	<p><b>210.67</b> To determine the type of report to issue, the team captain should use professional judgment and consider the understanding of the firm’s system of quality control and the nature, systemic causes, pattern, and pervasiveness of matters and their relative importance to the firm’s system of quality control taken as a whole, including limitations on the scope of the review. (Ref: par. .A59–.A62)</p>	
<p><b><i>System Review Report With a Peer Review Rating of Pass</i></b></p>		<ul style="list-style-type: none"> <li>• Changes made to extant .88-.90 are consistent with PR-C sec. 220.</li> </ul>
<p><b>.88</b> A report with a peer review rating of <i>pass</i> should be issued when the team captain concludes that the firm’s system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. There are no deficiencies or significant deficiencies that affect the nature of the report and, therefore, the report does not contain any deficiencies or significant deficiencies. In the event of a scope limitation, a report with a peer review rating of <i>pass (with a scope limitation)</i> is issued.</p>	<p><b>100.11 &amp; 210.A59</b> A report with a peer review rating of pass is issued when the team captain concludes that the firm’s system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</p> <p><b>100.A28 &amp; 210.A62</b> In the event of a scope limitation, a report with the applicable peer review rating (<i>with a scope limitation</i>) is issued.</p>	

<p><b><i>System Review Report With a Peer Review Rating of Pass With Deficiencies</i></b></p>		
<p><b>.89</b> A report with a peer review rating of <i>pass with deficiencies</i> should be issued when the team captain concludes that the firm’s system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report. These deficiencies are conditions related to the firm’s design of and compliance with its system of quality control that could create a situation in which the firm would have less than reasonable assurance of performing or reporting in conformity with applicable professional standards in one or more important respects due to the nature, systemic causes, pattern, or pervasiveness, including the relative importance of the deficiencies to the quality control system taken as a whole. In the event of a scope limitation, a report with a peer review rating of <i>pass with deficiencies (with a scope limitation)</i> is issued.</p>	<p><b>100.11 &amp; 210.A60</b> A report with a peer review rating of <i>pass with deficiencies</i> is issued when the team captain concludes that the firm’s system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report.</p>	<ul style="list-style-type: none"> <li>• Removed the second sentence because it is in the definition of deficiency.</li> </ul>

<p><b><i>System Review Report With a Peer Review Rating of Fail</i></b></p>		
<p><b>.90</b> A report with a peer review rating of <i>fail</i> should be issued when the team captain has identified significant deficiencies and concludes that the firm’s system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. In the event of a scope limitation, a report with a peer review rating of <i>fail (with a scope limitation)</i> is issued.</p>	<p><b>100.11 &amp; 210.A61</b> A report with a peer review rating of fail is issued when the team captain has identified significant deficiencies and concludes that the firm’s system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</p>	
<p><b>Communicating Requirements for Closing Meeting and Exit Conference</b></p>	<p>Communicating Requirements for Closing Meeting and Exit Conference</p>	
<p><b>.91</b> Prior to issuing his or her report or finalizing MFC and FFC form(s), if applicable, the team captain should communicate his or her conclusions to senior members of the firm at a closing meeting. The team captain should ordinarily be physically present at the closing meeting, unless the System Review is performed at a location other than the reviewed firm’s office.</p>	<p><b>210.59 &amp; 310.A13[worded appropriately]</b> Prior to issuing the report or finalizing MFCs and FFCs, if applicable, the team captain should communicate the conclusions to the firm at a closing meeting...</p> <p><b>[210.A49]</b> The closing meeting may also be attended by representatives of the administering</p>	

<p>The closing meeting may also be attended by representatives of the administering entity, the board, AICPA staff, or other board authorized organizations with oversight responsibilities. The team captain should discuss the following during the closing meeting (see interpretations):</p> <ul style="list-style-type: none"> <li><i>a.</i> Preliminary peer review results, including any matters, findings, deficiencies or significant deficiencies, and the type of report expected to be issued if determinable at this point.</li> <li><i>b.</i> The firm’s requirement to respond to the MFC form(s), FFC form(s), or the deficiency(ies) or significant deficiency(ies) included in the peer review report.</li> <li><i>c.</i> Other suggestions and observations for the firm to consider. For example, implications of upcoming changes in professional standards, operational or efficiency suggestions, and minor areas for improvement considerations.</li> </ul>	<p>entity, the board, AICPA staff, or other board authorized organizations with oversight responsibilities.]</p> <p>...The team captain should discuss the following during the closing meeting (Refer: par. .A49 and.A50)</p> <ul style="list-style-type: none"> <li><i>a.</i> Preliminary peer review results, including any matters, findings, deficiencies, or significant deficiencies, and the type of report expected to be issued if determinable at this point</li> <li><i>b.</i> The firm’s requirement to respond to the MFCs, FFCs, or deficiencies or significant deficiencies included in the peer review report</li> <li><i>c.</i> The firm’s required written representations</li> <li><i>d.</i> Other suggestions and observations for the firm to consider (Ref: par. .A51)</li> </ul> <p><b>210.A51</b> Other suggestions and observations may include implications of upcoming changes in professional standards, operational or efficiency suggestions, and minor areas for improvement.</p>	
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**.92** An exit conference will be held after the firm has responded to the MFC forms, FFC forms, and deficiencies or significant deficiencies in the report and the team captain has assessed whether the responses are appropriate and has considered any additional impact to the peer review results, and may be held via teleconference. Accordingly, except in rare circumstances that should be explained to the reviewed firm, the exit conference should be postponed if there is uncertainty about the report to be issued or the deficiencies or significant deficiencies to be included in the report. The purpose of a separate closing meeting and exit conference is to provide the firm sufficient time to determine appropriate responses to the matters, findings, deficiencies, and significant deficiencies identified and to provide the team captain with sufficient time to assess the firm's responses prior to the report date (exit conference date). If these steps have been taken prior to the closing meeting or are not necessary, the closing meeting and exit conference may be combined. If combined, the meeting should be held in person. In either circumstance, the exit conference should ordinarily be held prior to but no later than the review due date (see interpretations). The team captain should discuss the following during the exit conference:

- a.* Peer review results, including any changes to the information

**210.63 & 220.27 & 310.A21 & 320.A15** After the firm has responded to the MFCs, FFCs, and deficiencies or significant deficiencies in the report and the team captain has assessed whether the responses are appropriate and has considered any additional impact to the peer review results, the team captain should communicate the results to the firm at an exit conference. The team captain should discuss the following during the exit conference:

- a.* The peer review results to be submitted to the administering entity, including any changes to the information communicated at the closing meeting after consideration of the firm's responses to MFCs, FFCs, and deficiencies and significant deficiencies in the report.
- b.* The appropriateness of the firm's response.
- c.* The firm's representation letter.
- d.* Potential implications of the peer review acceptance process and the impact to the acceptance and completion of the peer review, and the reviewed firm's enrollment in the program include, but are not limited to the following:
  - i.* Corrective actions for deficiencies and significant

<p>communicated at the closing meeting after consideration of the firm's responses to MFC forms, FFC forms, and deficiencies and significant deficiencies in the report.</p> <p>b. Potential implications of the RAB acceptance process such as corrective actions (for deficiencies and significant deficiencies) and implementation plans (for findings) that may be imposed by the RAB, if applicable. The review team should also discuss with the reviewed firm the implications of these steps on the acceptance and completion of the peer review and the reviewed firm's enrollment in the program.</p> <p>c. Peer review noncooperation implications of consecutive non-pass report ratings, if applicable (see interpretations).</p>	<p>deficiencies, and implementation plans for findings, if applicable</p> <ul style="list-style-type: none"> <li>ii. Recommended report rating changes</li> <li>iii. Oversight</li> </ul> <p>e. Peer review noncooperation implications of consecutive non-pass report ratings, if applicable.</p> <p><b>210.A50</b> The purpose of a separate closing meeting and exit conference is to provide the firm sufficient time to determine appropriate responses to the matters, findings, deficiencies, and significant deficiencies identified and to provide the team captain with sufficient time to assess the firm's responses prior to the report date (exit conference date). If these steps have been taken prior to the closing meeting or are not necessary, the closing meeting and exit conference may be combined.</p>	
<p><b>Addressing Disagreements Between the Reviewer and the Reviewed Firm</b></p>		

**.93** Disagreements may arise during attempts to resolve various issues, for instance, related to the review of particular engagements, the systemic cause of a deficiency, or issues related to a design deficiency. In addition, there could be a disagreement on the appropriate approach to be taken in performing or reporting in conformity with applicable professional standards, or the review team might not believe that the actions planned or taken by the firm, if any, are appropriate (for example, if the reviewed firm believes that it can continue to support a previously issued report and the review team continues to believe that there may be a failure to reach appropriate conclusions in the application of professional standards). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and that each party has the right to challenge each other on an issue. Nevertheless, a disagreement during the resolution of an issue may persist in some circumstances. The reviewed firm or reviewer should consult with their administering entity and, if necessary, request that a panel of the administering entity's peer review committee members resolve the disagreement. The panel must reach a decision to resolve the disagreement. Any of the disagreeing parties may request an appeal by writing the board and explaining why he or she believes a review of the panel's decision is warranted. A panel

**100.43** If a disagreement arises between any parties to a peer review that cannot be resolved through other means, the disagreeing parties should consult with their administering entity, and if necessary, request that a panel of the administering entity's peer review committee members resolve the disagreement. The panel must reach a decision to resolve the disagreement. (Ref: paragraph .06 of section 400)

**100.44** If any of the disagreeing parties believe a review of the panel's decision is warranted, they should request an appeal by writing to the board and explaining the reasons a review of the panel's decision is warranted. A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.

<p>formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.</p>		
<p><b>Reporting on System Reviews</b></p> <p><b>General</b></p>	<p><b>Reporting on System Reviews</b></p>	
<p><b>.94</b> The team captain should furnish the reviewed firm with a written report within 30 days of the exit conference date or by the firm’s peer review due date, whichever is earlier. A report on a review performed by a firm should be issued on the letterhead of the firm performing the review. A report by a review team formed by an association of CPA firms should be issued on the letterhead of the firm of the team captain performing the review. The report in a System Review ordinarily should be dated as of the date of the exit conference. See interpretations for guidance on notification requirements and submission of peer review documentation to the administering entity.</p>	<p><b>210.70</b> Within 30 days of the exit conference date or by the firm’s peer review due date, whichever date is earlier, the team captain should complete electronically and submit to the administering entity, as applicable, the following documents: (Ref: par. .A66)</p> <ul style="list-style-type: none"> <li><i>a.</i> Report and letter of response, if applicable</li> <li><i>b.</i> Summary Review Memorandum</li> <li><i>c.</i> FFCs, if applicable</li> <li><i>d.</i> MFCs, if applicable</li> <li><i>e.</i> DMFC, if applicable</li> <li><i>f.</i> Firm’s representation letter</li> <li><i>g.</i> Engagement profiles and supplemental checklists for reviews of engagements subject to the Single Audit Act and the Uniform Guidance, if applicable</li> <li><i>h.</i> Explanation of “No” answers for quality control checklists</li> </ul>	<ul style="list-style-type: none"> <li>• Other requirements into mapping of extant par. .96</li> </ul>

	<p><b>210.71</b> For all reviews administered by the National PRC, the team captain should submit the following additional documents, as applicable:</p> <ul style="list-style-type: none"> <li>a. All documents required to be submitted for system reviews</li> <li>b. Engagement questionnaires or checklists</li> <li>c. Quality control documents and related practice aids</li> <li>d. Staff and focus group interview forms</li> <li>e. Planning documents</li> <li>f. Any other documents considered relevant by the team captain</li> </ul>	
<p><b>Preparing the Report in a System Review</b></p>		
<p><b>.95</b> The standard form for a report with a peer review rating of <i>pass</i> is illustrated in <a href="#">appendix C</a>, “Illustration of a Report With a Peer Review Rating of <i>Pass</i> in a System Review.” Illustrations of reports with a peer review rating of <i>pass with deficiencies</i> and <i>fail</i> are presented in <a href="#">appendixes E</a>, “Illustration of a Report With a Peer Review Rating of <i>Pass With Deficiencies</i> in a System Review,” and <a href="#">I</a>, “Illustration of a Report With a Peer Review Rating of <i>Fail</i> in a System Review,” respectively. Illustrations of reports with a peer review rating of <i>pass (with a scope limitation)</i>, <i>pass with deficiencies (with a scope limitation)</i>, and <i>fail (with a scope limitation)</i> are presented in <a href="#">appendixes D</a>,</p>	<p><b>210.A70</b> This exhibit contains various illustrations of a peer reviewer’s report on a firm’s system of quality control (system reviews).</p>	<p>See PR-C 210.A70 (Exhibit B) for illustrations</p>

<p>“Illustration of a Report With a Peer Review Rating of <i>Pass (With a Scope Limitation)</i> in a System Review;” <a href="#">G</a>, “Illustration of a Report With a Peer Review Rating of <i>Pass With Deficiencies (With a Scope Limitation)</i> in a System Review;” and <a href="#">K</a>, “Illustration of a Report With a Peer Review Rating of <i>Fail (With a Scope Limitation)</i> in a System Review,” respectively.</p>		
<p><b>.96</b> The written report in a System Review should:</p> <ul style="list-style-type: none"> <li>a. State at the top of the report the title “Report on the Firm’s System of Quality Control.”</li> <li>b. Include headings for each of the following sections: <ul style="list-style-type: none"> <li>i. Firm’s Responsibility</li> <li>ii. Peer Reviewer’s Responsibility</li> <li>iii. Required Selections and Considerations, if applicable</li> <li>iv. Deficiency(ies) or Significant Deficiency(ies) Identified in the</li> </ul> </li> </ul>	<p><b>210.68</b> The written report in a system review should (Ref: par. .A63)</p> <ul style="list-style-type: none"> <li>a. be dated as of the exit conference date</li> <li>b. be issued on letterhead of the firm performing the review<sup>1</sup></li> <li>c. state at the top of the report the title “Report on the Firm’s System of Quality Control.”</li> <li>d. include headings for each of the following sections: <ul style="list-style-type: none"> <li>i. Firm’s Responsibility</li> <li>ii. Peer Reviewer’s Responsibility</li> <li>iii. Required Selections and Considerations (if applicable)</li> <li>iv. Deficiency(ies) or Significant Deficiency(ies) Identified in the Firm’s System of Quality Control (if applicable)</li> <li>v. Scope Limitation (if applicable)</li> </ul> </li> </ul>	<p>See PR-C 210.A70 (Exhibit B) for illustrations</p>

<sup>1</sup> A report by a reviewer formed by an association of CPA firms should be issued on the letterhead of the firm of the team captain performing the review.

<p style="text-align: center;">Firm's System of Quality Control, if applicable</p> <p style="text-align: center;">v. Scope Limitation, if applicable</p> <p style="text-align: center;">vi. Opinion</p> <p><i>c.</i> State that the system of quality control for the accounting and auditing practice of the firm was reviewed and include the year-end covered by the peer review.</p> <p><i>d.</i> State that the peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the AICPA.</p> <p><i>e.</i> State that a summary of the nature, objectives, scope, limitations of, and procedures performed in a System Review as described in the Standards can be found on the AICPA website where the Standards are summarized.</p> <p><i>f.</i> Include a URL reference to the AICPA website where the standards are located. State that the summary includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are</p>	<p style="text-align: center;">vi. Opinion</p> <p><i>e.</i> state that the system of quality control for the accounting and auditing practice of the firm was reviewed and include the year-end covered by the peer review.</p> <p><i>f.</i> state that the peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews (the standards) established by the Peer Review Board of the AICPA.</p> <p><i>g.</i> state that a summary of the nature, objectives, scope, limitations of, and procedures performed in a system review as described in the standards, can be found on the AICPA website where the standards are summarized.</p> <p><i>h.</i> include a URL reference to the AICPA website where the standards are located, and state that the summary includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.</p> <p><i>i.</i> state that the firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects and for evaluating actions to promptly remediate</p>	
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<p>evaluated by a peer reviewer to determine a peer review rating.</p> <p><i>g.</i> State that the firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects and for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, where appropriate, and for remediating weaknesses in its system of quality control, if any.</p> <p><i>h.</i> State that the reviewer’s responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on the review.</p> <p><i>i.</i> Identify engagement types required to be selected and indicate whether single or multiple engagements (for example, an audit versus audits) were reviewed, when applicable.</p> <p><i>j.</i> State that reviews by regulatory entities as communicated by the firm, if applicable, were considered in</p>	<p>engagements deemed as not performed or reported in conformity with the requirements of applicable professional standards, where appropriate, and for remediating weaknesses in its system of quality control, if any.</p> <p><i>j.</i> state that the reviewer’s responsibility is to express an opinion on the design of and compliance with the firm’s system of quality control based on the review.</p> <p><i>k.</i> identify engagement types required to be selected, and indicate whether single or multiple engagements (for example, an audit versus audits) were reviewed, when applicable.</p> <p><i>l.</i> state that reviews by regulatory entities, as communicated by the firm, if applicable, were considered in determining the nature and extent of procedures.</p> <p><i>m.</i> in the event of a scope limitation, include an additional paragraph before the opinion paragraph that describes the relationship of the excluded engagements or elements of the firm’s system of quality control to the firm’s practice as a whole, the highest level of service and industry concentration, if any, of the engagements excluded from potential selection, and the effect of the exclusion on the scope and results of the peer review. The reviewer should tailor</p>	
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<p>determining the nature and extent of procedures.</p> <p><i>k.</i> In the event of a scope limitation, include an additional paragraph before the opinion paragraph that describes the relationship of the excluded engagement(s) or functional area(s) to the firm’s practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from potential selection, and the effect of the exclusion on the scope and results of the peer review. Tailor the opinion, as appropriate, to address the scope limitation.</p> <p><i>l.</i> Identify the different peer review ratings that the firm could receive.</p> <p><i>m.</i> In a report with a peer review rating of <i>pass</i>:</p> <p style="padding-left: 40px;"><i>i.</i> Express an opinion that the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year-ended has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with</p>	<p>the opinion, as appropriate, to address the scope limitation.</p> <p><i>n.</i> identify the different peer review ratings that the firm could receive.</p> <p><i>o.</i> in a report with a peer review rating of <i>pass</i>,</p> <p style="padding-left: 40px;"><i>i.</i> express an opinion that the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year-ended has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</p> <p style="padding-left: 40px;"><i>ii.</i> state that the firm has received a peer review rating of <i>pass</i>.</p> <p><i>p.</i> in a report with a peer review rating of <i>pass with deficiencies</i>, (Ref: par. .A64)</p> <p style="padding-left: 40px;"><i>i.</i> express an opinion that, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year-ended has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable</p>	
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<p>applicable professional standards in all material respects.</p> <p>ii. State the firm has received a peer review rating of <i>pass</i>.</p> <p>n. In a report with a peer review rating of <i>pass with deficiencies</i>:<sup>fn 11</sup></p> <p>i. Express an opinion that, except for the deficiencies previously described, the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year-ended has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</p> <p>ii. State the firm has received a peer review rating of <i>pass with deficiencies</i>.</p>	<p>professional standards in all material respects.</p> <p>ii. state that the firm has received a peer review rating of <i>pass with deficiencies</i>.</p> <p>q. in a report with a peer review rating of <i>fail</i>:</p> <p>i. express an opinion that as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year ended was not suitably designed or complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</p> <p>ii. state the firm has received a peer review rating of fail.</p> <p>r. in a report with a peer review rating of <i>pass with deficiencies</i> or <i>fail</i>,</p> <p>i. include descriptions of the deficiencies or significant deficiencies (each of these should be numbered) which include</p>	
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<sup>fn 11</sup> Reference to plural could also apply to a singular item within the standards. For instance, there could be deficiencies or a deficiency. The wording in the peer review report should be tailored as necessary.

<p><i>o.</i> In a report with a peer review rating of <i>fail</i>:</p> <ul style="list-style-type: none"> <li><i>i.</i> Express an opinion that as a result of the significant deficiencies previously described, the system of quality control for the accounting and auditing practice of the reviewed firm in effect for the year-ended was not suitably designed or complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.</li> <li><i>ii.</i> State the firm has received a peer review rating of <i>fail</i>.</li> </ul> <p><i>p.</i> In a report with a peer review rating of <i>pass with deficiencies</i> or <i>fail</i>:</p> <ul style="list-style-type: none"> <li><i>i.</i> Include descriptions of the deficiencies or significant deficiencies (each of these should be numbered) which include reference to the applicable requirement of Statements on Quality Control Standards, the scenario that led to the deficiency or significant deficiency, and reference to</li> </ul>	<p>reference to the applicable requirements of the Statements on Quality Control Standards, the scenario that led to the deficiency or significant deficiency, and reference to nonconforming engagements as a result of the deficiency or significant deficiency, if applicable.</p> <ul style="list-style-type: none"> <li><i>ii.</i> if there are repeat deficiencies or significant deficiencies, state that the deficiency or significant deficiency was noted in the firm’s previous peer review. This should be determined based on the systemic cause of the deficiencies or significant deficiencies. (Ref: par. .A65)</li> <li><i>iii.</i> identify the level of service for any deficiencies or significant deficiencies.</li> <li><i>iv.</i> identify the applicable industry if a deficiency or significant deficiency is industry specific.</li> <li><i>v.</i> Identify any must-select engagement types in which nonconforming engagements were noted as a result of a deficiency or significant deficiency.</li> </ul>	
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<p>nonconforming engagements as a result of the deficiency or significant deficiency, if applicable (see interpretations).</p> <ul style="list-style-type: none"> <li>ii. Identify any deficiencies or significant deficiencies that were also made in the report issued on the firm’s previous peer review (see interpretations). This should be determined based on the systemic cause of the deficiencies or significant deficiencies.</li> <li>iii. Identify the level of service for any deficiencies or significant deficiencies.</li> <li>iv. Identify the applicable industry if a deficiency or significant deficiency is industry specific.</li> <li>v. Identify must select industries and practice areas in which nonconforming engagements were noted as a result of a deficiency or significant deficiency.</li> </ul>	<p><b>210.A63</b> Exhibit B, “Illustrative Examples of the Reviewer’s Report on the Firm’s System of Quality Control”, contains example reports that may be tailored by the reviewer to meet the requirements described in paragraph .69.</p> <p><b>210.A64</b> Reference to plural “deficiencies” could also apply to a singular item within the standards. For instance, there could be deficiencies or a deficiency. The wording in the peer review report should be tailored as necessary.</p>	
<p><b>Firm Responses in a System Review and Related Team Captain Considerations</b></p>		

<p><b>.97</b> The firm should discuss matters, findings, deficiencies, and significant deficiencies with the team captain. If the firm disagrees with one or more of the findings, deficiencies, or significant deficiencies, the firm should contact the administering entity for assistance and follow the guidance in <a href="#">paragraph .93</a> to resolve the disagreement.</p>	<p><b>310.11</b> The firm should discuss preliminary peer review results, including matters, findings, deficiencies, and significant deficiencies with the reviewer. Ordinarily, this discussion occurs during the closing meeting. If the firm disagrees with one or more of the matters, findings, or deficiencies, and the firm and reviewer can't come to a resolution, the firm should contact the administering entity for assistance and follow the guidance in section 100 to resolve the disagreement. (Ref. par. .A13)</p>	
<p><b>.98</b> The firm should respond to all matters communicated on an MFC form, findings communicated on an FFC form and deficiencies, or significant deficiencies communicated in the peer review report. The firm's response to deficiencies or significant deficiencies should be communicated in a letter of response addressed to the administering entity's peer review committee. The firm's draft responses should be provided to the team captain as soon as practicable to allow the team captain sufficient time to assess the firm's response prior to the exit conference.</p>	<p><b>310.12</b> The firm should respond to</p> <ul style="list-style-type: none"> <li><i>a.</i> matters via the MFC,</li> <li><i>b.</i> findings via the FFC, and</li> <li><i>c.</i> deficiencies or significant deficiencies via a letter of response.</li> </ul> <p><b>310.15</b> The firm's draft responses should be provided to the team captain as soon as possible after the closing meeting to allow the team captain enough time to assess the firm's responses prior to the exit conference. (Ref: par. .A20–.A21)</p>	

<p><b>.99</b> If the reviewed firm receives an FFC form or a report with a peer review rating of pass with deficiencies or fail, it is the firm’s responsibility to identify the appropriate remediation of any findings, deficiencies, and significant deficiencies and to appropriately respond. The reviewed firm should address the following in its response with respect to each finding, deficiency, and significant deficiency (see interpretations):</p> <ul style="list-style-type: none"> <li>a. Nonconforming engagements, including the following: <ul style="list-style-type: none"> <li>i. The firm’s actions taken or planned to remediate the engagements identified on the FFC form or in the report as nonconforming.</li> <li>ii. The firm’s actions taken or planned to remediate findings and deficiencies in the firm’s system of quality control (see interpretations)</li> </ul> </li> <li>b. Systemic issues unrelated to nonconforming engagements: <ul style="list-style-type: none"> <li>i. The firm’s actions taken or planned to remediate findings</li> </ul> </li> </ul>	<p><b>310.14</b> The firm’s responses to findings, deficiencies or significant deficiencies should: (Ref: par. .A14–.A19)</p> <ul style="list-style-type: none"> <li>a. Include the firm’s actions taken or planned to remediate the findings or deficiencies in the firm’s system of quality control and nonconforming engagements, if applicable, including <ul style="list-style-type: none"> <li>i. timing of the remediation and</li> <li>ii. additional procedures to ensure the finding or deficiency is not repeated in the future.</li> </ul> </li> <li>b. be feasible, genuine, and comprehensive</li> <li>c. be addressed to the administering entity’s peer review committee (committee)</li> <li>d. be dated as of the exit conference date</li> <li>e. be on firm letterhead</li> </ul> <p>The reviewer should review documentation of any action taken by the firm and consider whether the action is appropriate.</p>	<p>Elements of extant 4100.32 considered and incorporated into 310.14 as necessary.</p> <p>Formatted to align with sec. 320.</p>
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<p style="text-align: center;">and deficiencies in the firm's system of quality control</p> <p style="text-align: center;"><i>c.</i> Timing of the remediation</p>		
<p><b>.100</b> The team captain should review and evaluate the firm's responses on the FFC forms and letter of response prior to the exit conference. The appropriateness of the firm's response should be discussed during the exit conference. The firm's letter of response should be finalized and dated as of the exit conference date and provided to the team captain. The team captain should include the firm's letter of response with his or her report and working papers submitted to the administering entity (see interpretations).</p>	<p><b>210.62</b> The team captain should review and evaluate the responses on the FFCs and letter of response prior to the exit conference. The team captain should consider the following: (Ref: par. .A54–.A55)</p> <ul style="list-style-type: none"> <li><i>a.</i> The firm's response should include <ul style="list-style-type: none"> <li><i>i.</i> the firm's actions taken or planned to remediate the findings or deficiencies in the firm's system of quality control and nonconforming engagements, if applicable,</li> <li><i>ii.</i> timing of the remediation, and</li> <li><i>iii.</i> additional procedures to ensure the finding or deficiency is not repeated in the future.</li> </ul> </li> <li><i>b.</i> The action should be feasible, genuine, and comprehensive.</li> <li><i>c.</i> If the firm has taken action, the reviewer should review documentation of actions taken and consider whether the action is appropriate. (Ref. par. .A56)</li> </ul>	
<p><b>.101</b> Illustrations of letters of response by a reviewed firm to reports in a System Review with a peer</p>	<p><b>310.A27</b> This exhibit contains various illustrations of a firm's letter of response to a peer review</p>	

<p>review rating of <i>pass with deficiencies</i> and <i>fail</i> are included in <a href="#">appendixes F</a>, “Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of <i>Pass With Deficiencies</i> in a System Review;” <a href="#">H</a>, “Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of <i>Pass With Deficiencies (With a Scope Limitation)</i> in a System Review;” <a href="#">J</a>, “Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of <i>Fail</i> in a System Review;” and <a href="#">L</a>, “Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of <i>Fail (With a Scope Limitation)</i> in a System Review.”</p>	<p>report rating of pass with deficiencies or fail (system reviews).</p>	
<p>Performing Engagement Reviews</p>	<p><b>Objective</b></p>	
<p><b>.102</b> The objective of an Engagement Review is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects. An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant’s report thereon, together with certain background information and representations and the applicable documentation required by professional standards.</p>	<p><b>220.04</b> In performing an engagement review, the objectives of the review captain are to</p> <ul style="list-style-type: none"> <li>a. evaluate whether the engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects and</li> <li>b. report on the evaluation of selected engagements</li> </ul> <p><b>320.04</b> The objective of the reviewed firm is to enhance its effectiveness and contribute to the quality of our profession by undergoing an engagement review performed in accordance with the Standards for Performing and Reporting on Peer</p>	<p>Removed second part b/c it is covered in the evaluation section</p>

	Reviews established by the Peer Review Board (the board) of the American Institute of Certified Public Accountants (the standards). (Ref: par. .A2)	
	<b>Introduction</b>	
	<b>Scope of This Section</b>	
<b>.103</b> Engagement Reviews are not available to firms that perform engagements under the SASs, engagements under <i>Government Auditing Standards</i> , examinations under the SSAEs, or engagements performed under PCAOB standards. However, firms eligible to have an Engagement Review may elect to have a System Review (see interpretations).	<p><b>220.02 &amp; 320.02</b> Engagement reviews are available to firms that perform engagements under the Statements on Standards for Accounting and Review Services (SSARSs) and engagements under the Statements on Standards for Attestation Engagements (SSAEs) other than examinations as their highest levels of service. (Ref. par. .A1)</p> <p><b>220.A1 &amp; 320.A1</b> Firms eligible to have an engagement review may elect to have a system review. Refer to section 210, <i>General Principles and Responsibilities for Reviewers — System Reviews</i> for the requirements of a system review.</p>	Changed to what are covered by engagement reviews.
<b>Basic Requirements</b>	<b>Requirements</b>	
	<b>Planning</b>	

<p><b>.104</b> The criteria for selecting the peer review year-end and the period to be covered by an Engagement Review are the same as those for a System Review (see <a href="#">paragraphs .13–.19</a>). Engagements subject to review ordinarily should be those with periods ending during the year under review, except for financial forecasts or projections and agreed upon procedures. Financial forecasts or projections and agreed upon procedures with report dates during the year under review would be subject to selection. The reviewed firm should provide summarized information showing the number of its compilation, review and preparation engagements performed under SSARSs and engagements performed under the SSAEs, classified into industry categories. That information should be provided for each partner, or individual if not a partner, of the firm who is responsible for the issuance of reports on such engagements or the issuance of prepared financial statements with or without disclaimer reports. On the basis of that information, the review captain or the administering entity ordinarily should select the types of engagements to be submitted for review, in accordance with the following guidelines (see interpretations):</p>	<p><b>220.07</b> The review captain should obtain from the reviewed firm the following: (Ref. par. .A2)</p> <ul style="list-style-type: none"> <li><i>a.</i> The number of engagements performed by level of service and industry for each engagement partner</li> <li><i>b.</i> Responses to inquiries about the areas to be addressed in the written representations</li> <li><i>c.</i> The firm’s prior <ul style="list-style-type: none"> <li><i>i.</i> peer review report,</li> <li><i>ii.</i> letter of response (if applicable),</li> <li><i>iii.</i> letter of acceptance,</li> <li><i>iv.</i> FFCs (if applicable), and</li> <li><i>v.</i> representation letter</li> </ul> </li> </ul> <p><b>220.06</b> The reviewer should perform planning procedures before selecting engagements for review.</p> <p><b>320.06</b> The firm should make the following information available to the review captain:</p> <ul style="list-style-type: none"> <li><i>a.</i> The number of engagements performed by level of service and industry for each engagement partner</li> <li><i>b.</i> Responses to inquiries about the areas to be addressed in the written representations</li> <li><i>c.</i> The firm’s prior</li> </ul>	<p>Removed the first sentence b/c they are duplicative.</p> <p>Timing covered in section 100.</p> <p>Moved requirements in extant par. .106 into PR-C 220.06. b/c they should all be part of planning.</p>
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<p><i>a.</i> One engagement should be selected from each of the following areas of service performed by the firm:</p> <ol style="list-style-type: none"> <li>1. Review of financial statements (performed under SSARSs)</li> <li>2. Compilation of financial statements, with disclosures (performed under SSARSs)</li> <li>3. Compilation of financial statements that omits substantially all disclosures (performed under SSARSs)</li> <li>4. Engagements performed under the SSAEs other than examinations</li> </ol>	<ol style="list-style-type: none"> <li>i. peer review report,</li> <li>ii. letter of response (if applicable),</li> <li>iii. letter of acceptance,</li> <li>iv. FFCs (if applicable), and</li> <li>v. representation letter</li> </ol>	
	<p><b>Engagement Selection</b></p>	
<p><i>b.</i> One engagement should be selected from each partner, or individual of the firm if not a partner, responsible for the issuance of reports listed in item <i>a.</i></p> <p><i>c.</i> Selection of preparation engagements should only be made in the following instances:</p> <ol style="list-style-type: none"> <li>1. One preparation engagement with disclosures (performed under SSARSs) should be selected when performed by an individual in the firm who does</li> </ol>	<p><b>220.12</b> The review captain should select the following: (Ref. par. .A4–.A5)</p> <p><i>a.</i> One engagement from each of the following levels of service performed by the firm:</p> <ol style="list-style-type: none"> <li>i. Reviews of financial statements (performed under SSARSs)</li> <li>ii. Compilations of financial statements, with disclosures (performed under SSARSs)</li> <li>iii. Compilations of financial statements that omits substantially all disclosures (performed under SSARSs)</li> <li>iv. Engagements performed under the SSAEs other than examinations</li> </ol>	

<p>not perform any engagements included in item <i>a</i> or when the firm's only engagements with disclosures are preparation engagements.</p> <p>2. One preparation engagement that omits substantially all disclosures (performed under SSARSs) should be selected when performed by an individual in the firm who does not perform any engagements included in item <i>a</i> or when the firm's only omit disclosure engagements are preparation engagements.</p> <p>3. One preparation engagement should be selected if needed to meet the requirement in item <i>d</i>.</p> <p><i>d.</i> Ordinarily, at least two engagements should be selected for review.</p>	<p><i>b.</i> One engagement from each engagement partner responsible for the issuance of reports listed in item (<i>a</i>).</p> <p><i>c.</i> At least two engagements, unless only one is performed</p> <p><b>220.A5 &amp; 320.A6</b> Engagement selection may also include consideration of industries.</p> <p><b>320.07</b> The firm should submit the engagements that meet the criteria of the review captain's selections. (Ref: par. .08 and .A3-.A7)</p> <p><b>320.A3</b> The review captain will make selections based on the following criteria:</p> <p><i>a.</i> One engagement from each of the following levels of service performed by the firm:</p> <p style="padding-left: 40px;">i. Review of financial statements (performed under SSARSs)</p> <p style="padding-left: 40px;">ii. Compilation of financial statements, with disclosures (performed under SSARSs)</p> <p style="padding-left: 40px;">iii. Compilation of financial statements that omits substantially all</p>	
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	<p style="text-align: center;">disclosures (performed under SSARs)</p> <p style="text-align: center;">iv. Engagements performed under the SSAEs other than examinations</p> <p style="margin-left: 40px;"><i>b.</i> One engagement from each engagement partner responsible for the issuance of reports listed in item <i>(a)</i></p> <p style="margin-left: 40px;"><i>c.</i> At least two engagements, unless only one is performed</p> <p><b>220.13 &amp; 320.A4</b> The review captain should select a preparation engagement only in the following instances:</p> <p style="margin-left: 40px;"><i>a.</i> It is the only level of service performed by an engagement partner.</p> <p style="margin-left: 40px;"><i>b.</i> It is the only engagement performed with disclosures.</p> <p style="margin-left: 40px;"><i>c.</i> It is the only engagement performed without disclosures.</p> <p style="margin-left: 40px;"><i>d.</i> Doing so is necessary to meet the minimum requirement of two engagements selected for review.</p>	
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	<b>220.14</b> The review captain should select only the number of engagements needed to meet the requirements in paragraphs .12 and .13.	
<b>.105</b> The preceding criteria are not mutually exclusive. The objective is to ensure that one engagement is selected for each partner and one engagement is selected from each of the areas of service performed by the firm listed in item <i>a</i> in the previous list. Therefore, one of every type of engagement that a partner, or individual if not a partner, responsible for the issuance of the reports listed in item <i>a</i> in the previous list performs does not have to be reviewed as long as, for the firm taken as a whole, all types of engagements noted in item <i>a</i> in the previous list performed by the firm are covered.	<p><b>220.A4</b> The objective of the engagement selection requirements is to select one engagement from each engagement partner and one engagement from each level of service listed in paragraph .12<i>a</i> for the firm.</p> <p><b>320.A5</b> The objective of the engagement-selection requirements is to select one engagement for each engagement partner and one engagement from each level of service listed in paragraph .A3<i>a</i> for the firm. Review captains will not select more engagements than necessary to meet this objective.</p>	
<b>.106</b> The review captain should obtain the required representations from the firm (see <a href="#">paragraph .05f</a> ) for the current review. The review captain should also obtain the firm’s prior peer review report, letter of response, if applicable, letter accepting those documents, FFC forms, if applicable, and the firm’s representation letter from the firm or administering entity.	Moved to PR-C 220.07	Combined with mapping of extant par. .104
<b>.107</b> For each engagement selected for review, the reviewed firm should submit the appropriate financial statements or information and the accountant’s report, masking client identity if it	<b>310.08 &amp; 320.08</b> For each engagement selected for review, the reviewed firm should submit (masking client identity if it desires) the following: (Ref: par. 310.A9)	

<p>desires, along with specified background information, representations about each engagement and the firm’s documentation required by applicable professional standards for each of these engagements. There is a presumption that all engagements otherwise subject to the peer review will be included in the scope of the review. However, in the rare situations when exclusions or other limitations on the scope of the review are being contemplated, a review captain should carefully consider the implications of such exclusion. This includes communicating with the firm and the administering entity the effect on the review and on the ability of the review captain to issue a peer review report.</p>	<ul style="list-style-type: none"> <li>a. The appropriate financial statements or information</li> <li>b. The accountant’s or auditor’s report, if applicable</li> <li>c. Engagement profile</li> <li>d. The documentation required by applicable professional standards for each engagement</li> </ul> <p><b>220.15</b> It is presumed that all engagements subject to the peer review will be included in the scope of the review. In the rare situations in which there are exclusions or other limitations on the scope of the review, a review captain should carefully consider the implications of such exclusions. This includes communicating with the firm and the administering entity the effect on the review and on the ability of the review captain to issue a peer review report.</p>	
	<p><b>Evaluation of Engagements</b></p>	
<p><b>.108</b> The evaluation of each engagement submitted for review includes the following:</p> <ul style="list-style-type: none"> <li>a. Consideration of the financial statements or information and the related accountant’s report on the</li> </ul>	<p><b>220.16 &amp; 320.A8</b> The review captain should evaluate each engagement submitted for review. The evaluation should include the following:</p> <ul style="list-style-type: none"> <li>a. Consideration of the financial statements or information and the related accountant’s reports on the engagements</li> </ul>	

<p>compilation, review and preparation engagements performed under SSARS and engagements performed under SSAEs (see interpretations)</p> <p>b. Consideration of the documentation on the engagements performed via reviewing background and engagement profile information, representations made by the firm, and inquiries</p> <p>c. Review of all other documentation required by applicable professional standards on the engagements</p>	<p>performed under the SSARSs and SSAEs</p> <p>b. Review of all other documentation required by applicable professional standards on the engagements</p> <p>c. Consideration of the information related to the engagement obtained through the peer review including, but not limited to engagement profile information and other inquiries</p>	
	<p><b>Reporting on Engagement Reviews</b></p>	
<p><b>.109</b> An Engagement Review does not include a review of other documentation prepared on the engagements submitted for review (other than the documentation referred to in <a href="#">paragraphs .107-.108</a>), tests of the firm’s administrative or personnel files, interviews of selected firm personnel, or other procedures performed in a System Review (see interpretations). Accordingly, an Engagement Review does not provide the review captain with a basis for expressing any form of assurance on the firm’s system of quality control for its accounting practice. The review captain’s report does indicate, however, whether anything came to the review captain’s attention that caused him</p>	<p><b>220.A25</b> An engagement review does not include tests of the firm’s administrative or personnel files, interviews of selected firm personnel, or other procedures performed in a system review. Therefore, an engagement review does not provide the review captain with a basis for expressing any form of assurance on the firm’s system of quality control for its accounting practice.</p> <p><b>220.23</b> The review captain should promptly inform the firm when an engagement is not performed or reported on in conformity with applicable professional standards in all material respects and remind the firm of any</p>	

<p>or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects (see interpretations). The review captain should promptly inform the firm when an engagement is not performed or reported on in conformity with applicable professional standards and remind the firm of its obligation under professional standards to take appropriate actions (see interpretations).</p>	<p>related obligations under professional standards to take appropriate actions. (Ref. par. .A8)</p>	
<p><b>Identifying Matters, Findings, Deficiencies, and Significant Deficiencies</b></p>	<p><b>Identifying Matters, Findings, Deficiencies, and Significant Deficiencies</b></p>	
<p><b>.110</b> Determining the relative importance of matters noted during the peer review, individually or combined with others, is a matter of professional judgment. Careful consideration is required in forming conclusions. The descriptions that follow, used in conjunction with practice aids (MFC, DMFC, and FFC forms) to document these items, are intended to assist in determining the nature of the peer review report to issue:</p> <p><i>a. A matter</i> is noted as a result of evaluating whether an engagement submitted for review was performed or reported on in conformity with applicable professional standards. The evaluation includes reviewing the</p>	<p><b>220.18</b> The review captain should determine the relative importance of matters noted during the review, individually and in the aggregate. To assist the review captain in determining the relative importance of matters, the reviewer should consult appendix A, “<i>Common Areas of Noncompliance With Applicable Professional Standards</i>”. (Ref. par. .A6, .A7, and .A28)</p> <p><b>220.32</b> To determine the type of report to issue, the review captain should use the results of the evaluation of engagements reviewed. (Ref: par. .A19–.A23)</p>	<p>See further explanation in the exposure draft explanatory memo regarding “Removal of the term “Significant Deficiency” in Engagement reviews”</p>

financial statements or information, the related accountant's reports, and the adequacy of procedures performed, including related documentation. Matters are typically one or more "No" answers to questions in peer review questionnaire(s). A matter is documented on a Matter for Further Consideration (MFC) form.

- b. A *finding* is one or more matters that the review captain has concluded result in financial statements or information, the related accountant's reports submitted for review, or the procedures performed, including related documentation, not being performed or reported on in conformity with the requirements of applicable professional standards. A review captain will conclude whether one or more findings are a deficiency or significant deficiency. If the review captain concludes that no finding, individually or combined with others, rises to the level of deficiency or significant deficiency, a report rating of *pass* is appropriate. A finding not rising to the level of a deficiency or significant deficiency is documented on a Finding for Further Consideration (FFC) form.
- c. A *deficiency* is one or more findings that the review captain concludes are material to the understanding of the

**220.19** The review captain should document a matter on a Matter for Further Consideration (MFC) form when the review captain identifies one or more "No" answers on peer review engagement checklists that were not resolved to the review captain's satisfaction.

**100.11 Matter.** One or more "No" answers to questions in peer review checklists identified during a system review or an engagement review.

- o *Engagement reviews* – One or more "No" answers to questions in peer review checklists that were not resolved to the review captain's satisfaction. Documented as a Matter for Further Consideration (MFC) on an MFC form. (Ref: section 220, *General Principles and Responsibilities for Reviewers — Engagement Reviews* and section 320, *General Principles and Responsibilities for Reviewed Firms — Engagement Reviews*)

**100.11 Finding (engagement reviews).** One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards. A finding should be documented as a finding for further consideration

<p>financial statements or information or related accountant’s reports or that represent omission of a critical procedure, including documentation, required by applicable professional standards. When a deficiency is noted, the review captain concludes that at least one but not all engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. When the review captain concludes that deficiencies are not evident on all of the engagements submitted for review, such deficiencies are communicated in a report with a peer review rating of <i>pass with deficiencies</i>.</p> <p><i>d. A significant deficiency</i> exists when the review captain concludes that deficiencies are evident on all of the engagements submitted for review. When a significant deficiency is noted, the review captain concludes that all engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. Such significant deficiencies are communicated in a report with a peer review rating of <i>fail</i>.</p>	<p><b>220.20</b> The review captain should document a finding on a Finding for Further Consideration (FFC) form when they conclude the submitted engagement was not performed or reported on in conformity with the requirements of the applicable standards.</p> <p><b>220.21</b> The review captain should document a deficiency in the report when they conclude at least one engagement submitted for review was not performed or reported on in conformity with the requirements of the applicable standards in all material respects.</p> <p><b>100.11 Deficiency (engagement reviews).</b> One or more matters that the review captain concludes result in an engagement not performed or reported on in conformity with the requirements of applicable professional standards in all material respects. Deficiencies should be documented in a peer review report with a rating of pass with deficiencies or fail. (Ref: par. .A21)</p> <p><b>100.A21</b> “In all material respects” is a matter of professional judgment and is entity-specific based on size or nature, or both. Materiality is described as follows: misstatements, including omissions, are material if there is substantial likelihood that, individually or in the aggregate, they would influence the</p>	
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	judgment of a reasonable user made based on the financial statements.	
<b>.111</b> A broad understanding of the peer review process, from the review of submitted engagements to the decision making process of determining whether an item noted during an Engagement Review is a matter, finding, deficiency, or significant deficiency, is shown in <a href="#">exhibit B</a> . The exhibit also illustrates the aggregation of these items, where those items are documented in the practice aids, and how they might affect the type of report issued.		Removed (exhibit B mapped below)  <a href="#">See further explanation in the exposure draft explanatory memo regarding “Removal of the term “Significant Deficiency” in Engagement reviews”</a>
<b>Exhibit B</b>	<b>220.A6</b> Exhibit A shows a broad understanding of the peer review process, from the review of submitted engagements to the determination of a matter, finding, or deficiency. It also illustrates the aggregation of these items, their documentation, and their potential impact on the report rating.	Application guidance
<b>.112</b> As described by <a href="#">exhibit B</a> in paragraph .111, depending on the resolution of a matter and the process of aggregating and evaluating peer review results, a matter may develop into a finding. Findings will also be evaluated, and after considering their nature and relative importance, including whether they are material	<b>220.A7</b> One or more matters may be elevated to a finding or deficiency. To determine if a matter should be elevated, the review captain should consider the matter’s nature and relative importance, if the matter is material to the understanding of the report or financial statements, or if the matter	<a href="#">See further explanation in the exposure draft explanatory memo regarding “Removal of the term “Significant Deficiency” in Engagement reviews”</a>

<p>to the understanding of the report or financial statements or represent the omission of a critical procedure including documentation, may not get elevated to a deficiency. Alternatively, a matter may develop into a finding and get elevated to a deficiency. That deficiency may or may not be further elevated to a significant deficiency.</p>	<p>represents the omission of a critical procedure including documentation.</p>	
<p><b>.113</b> A matter is documented on an MFC form. If the matter, after further evaluation, gets elevated to a finding, but not a deficiency or significant deficiency, it is documented on a FFC form. The FFC form is a standalone document that includes the reviewed firm’s response regarding actions planned or taken and the timing of those actions by the firm. MFC and FFC forms are subject to review and oversight by the administering entity, who will evaluate the reviewed firm’s FFC form responses for appropriateness and responsiveness (see <a href="#">paragraphs .141–.145</a>). If the matter documented on the MFC form is instead elevated to a deficiency or significant deficiency, then it is communicated in the report itself. The firm submits a letter of response regarding actions planned or taken and the timing of those actions by the firm, which is also evaluated for appropriateness and responsiveness (see <a href="#">paragraphs .139–.140</a>).</p>		<p>Removed, duplicative</p> <p><a href="#">See further explanation in the exposure draft explanatory memo regarding “Removal of the term “Significant Deficiency” in Engagement reviews”</a></p>

<p><b>.114</b> In order to document the disposition of all the MFCs, the review captain completes a DMFC form. The DMFC form is part of the working papers and provides a trail of the disposition of the MFCs for the peer reviewer, administering entity, and individuals conducting technical reviews or oversight. All of the MFCs are identified on the DMFC form with an indication after each as to whether it was cleared, discussed with the firm, included on a specific FFC form (individually or combined with other MFCs), or included as a deficiency in a report with a peer review rating of <i>pass with deficiencies</i> or as a significant deficiency in a report with a peer review rating of <i>fail</i>.</p>	<p><b>220.22</b> The review captain should complete a Disposition of Matter for Further Consideration (DMFC) for all MFCs indicating whether each one was</p> <ul style="list-style-type: none"> <li>a. included on a specific FFC (individually or combined with other MFCs) or</li> <li>b. included as a deficiency (individually or combined with other MFCs) in a report with a peer review rating of pass with deficiencies or fail.</li> </ul>	<p><u>See further explanation in the exposure draft explanatory memo regarding “Removal of the term “Significant Deficiency” in Engagement reviews”</u></p>
<p><b>Communication Requirements for Closing Meeting and Exit Conference</b></p>	<p><b>Communication Requirements for Closing Meeting and Exit Conference</b></p>	
<p><b>.115</b> Prior to issuing his or her report or finalizing MFC and FFC form(s), if applicable, the review captain should communicate his or her conclusions to the firm at a closing meeting. The closing meeting is normally held via teleconference and may also be attended by representatives of the administering entity, the board, AICPA staff, or other board authorized organizations with oversight responsibilities. The review captain should discuss the following during the closing meeting:</p>	<p><b>220.24</b> Prior to issuing the report or finalizing MFCs and FFCs, if applicable, the review captain should communicate the conclusions to the firm at a closing meeting. The review captain should discuss the following during the closing meeting: (Ref. par. .A9–.A11)</p> <ul style="list-style-type: none"> <li>a. Preliminary peer review results, including any matters, findings, or deficiencies and the type of report to be issued</li> </ul>	<p><u>See further explanation in the exposure draft explanatory memo regarding “Removal of the term “Significant Deficiency” in Engagement reviews”</u></p>

<p><i>a.</i> Preliminary peer review results, including any matters, findings, deficiencies or significant deficiencies, and the type of report to be issued.</p> <p><i>b.</i> The firm’s requirement to respond to the MFC form(s), FFC form(s), or the deficiency(ies) or significant deficiency(ies) included in the peer review report.</p> <p><i>c.</i> Other suggestions and observations for the firm to consider. For example, implications of upcoming changes in professional standards, operational or efficiency suggestions, and minor areas for improvement considerations.</p> <p>An exit conference will be held after the firm has responded to the MFC form(s), FFC form(s), and deficiencies or significant deficiencies in the report and the review captain has assessed whether the responses are appropriate and has considered any additional impact to the peer review results, and is normally held via teleconference. Accordingly, except in rare circumstances that should be explained to the firm, the exit conference should be postponed if there is uncertainty about the report to be issued or the deficiencies or significant deficiencies to be included in the report. The purpose of a separate closing meeting and exit conference is to provide the firm sufficient time to determine appropriate</p>	<p><i>b.</i> The firm’s requirement to respond to the MFCs, FFCs, or deficiencies included in the peer review report</p> <p><i>c.</i> The firm’s required written representations</p> <p><i>d.</i> Other suggestions and observations for the firm to consider (Ref: par. .A12)</p> <p><b>220.A12</b> Examples of other suggestions and observations include implications of upcoming changes in professional standards, operational or efficiency suggestions, and minor areas for improvement.</p> <p><b>220.A9</b> The closing meeting and exit conference may be attended by representatives of the administering entity, the board, AICPA staff, or other board-authorized organizations with oversight responsibilities.</p> <p><b>220.27</b> After the firm has responded to the MFCs, FFCs, and deficiencies in the report and the review captain has assessed whether the responses are appropriate and has considered any additional impact to the peer review results, the review captain should communicate the results to the firm at an exit conference. The review captain should discuss the following during the exit conference:</p> <p><i>a.</i> The peer review results to be submitted to the administering entity, including any changes to the information communicated at the closing meeting</p>	
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responses to the matters, findings, deficiencies, and significant deficiencies identified and to provide the review captain with sufficient time to assess the firm's responses prior to the report date (exit conference date). If these steps have been taken prior to the closing meeting or are not necessary, the closing meeting and exit conference may be combined. In either circumstance, the exit conference should ordinarily be held prior to but no later than the review due date (see interpretations). The review captain should discuss the following during the exit conference:

- a.* Final peer review results, including any changes to the information communicated at the closing meeting after consideration of the firm's responses to MFCs, FFCs, and deficiencies and significant deficiencies in the report.
- b.* Potential implications of the RAB acceptance process such as corrective actions (for deficiencies and significant deficiencies) and implementation plans (for findings) that may be imposed by the RAB, if applicable. The review captain should also discuss with the firm the implications of these steps on the acceptance and completion of the peer review and the firm's enrollment in the program.

after consideration of the firm's responses to MFCs, FFCs, and deficiencies in the report.

- b.* The appropriateness of the firm's response.
- c.* The firm's representation letter.
- d.* Potential implications of the peer review acceptance process and their impact on the acceptance and completion of the peer review, and the reviewed firm's enrollment in the program which include, but are not limited to:
  - i.* corrective actions for deficiencies and implementation plans for findings, if applicable,
  - ii.* recommended report rating changes, and
  - iii.* oversight
- e.* Peer review noncooperation implications of consecutive non-pass report ratings, if applicable.

**220.A10** The purpose of a separate closing meeting and exit conference is to provide the firm with sufficient time to determine appropriate responses to the matters, findings, or deficiencies identified and to provide the review captain with sufficient time to assess the firm's responses prior to the report date (exit conference date). If these steps have been taken prior to the closing meeting or are not necessary, the closing meeting and exit conference may be combined.

<p>c. Peer review noncooperation implications of consecutive non-pass report ratings, if applicable (see interpretations).</p>		
<p><b>Addressing Disagreements Between the Reviewer and the Reviewed Firm</b></p>	<p><b>Addressing Disagreements Between the Reviewer and the Reviewed Firm</b></p>	
<p><b>.116</b> Disagreements may arise during attempts to resolve various issues. For instance, there could be a disagreement on the appropriate approach to performing or reporting in conformity with applicable professional standards, or the review team might not believe that the actions planned or taken by the firm, if any, are appropriate (for example, if the reviewed firm believes that it can continue to support a previously issued report and the review team continues to believe that there may be a failure to reach appropriate conclusions in the application of professional standards). Reviewers and reviewed firms should understand that professional judgment often becomes a part of the process and that each party has the right to challenge each other on an issue. Nevertheless, a disagreement during the resolution of an issue may persist in some circumstances. The reviewed firm and reviewer should consult with their administering entity and, if necessary, request that a panel of the administering entity’s peer review committee members resolve the disagreement. The panel must reach a decision</p>		<p>Removed; covered in mapping of extant .93-.93a</p>

<p>to resolve the disagreement. Any of the disagreeing parties may request an appeal by writing the board and explaining why he or she believes a review of the panel’s decision is warranted. A panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.</p>		
<p><b>Reporting on Engagement Reviews</b></p>		
<p><b>Forming Conclusions on the Type of Report to Issue in an Engagement Review</b></p>	<p><b>Forming Conclusions on the Type of Report to Issue in an Engagement Review</b></p>	
<p><i>Engagement Review Report With a Peer Review Rating of Pass</i></p>	<p><i>Engagement Review Report With a Peer Review Rating of Pass</i></p>	
<p><b>.117</b> A report with a peer review rating of <i>pass</i> is issued when the reviewer concludes that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects. There are no deficiencies or significant deficiencies that affect the nature of the report and, therefore, the report does not contain any deficiencies or significant deficiencies. In the event of a scope limitation, a report with a peer</p>	<p><b>220.A19 &amp; 100.11</b> A report with a peer review rating of pass is issued when the review captain concludes that the engagements submitted for review were performed and reported on in conformity with the requirements of applicable professional standards in all material respects.</p> <p><b>100.A28</b> In the event of a scope limitation, a report with the applicable peer review rating (with a scope limitation) is issued.</p>	

<p>review rating of <i>pass (with a scope limitation)</i> is issued.</p>		
<p><b><i>Engagement Review Report With a Peer Review Rating of Pass With Deficiencies</i></b></p>	<p><b><i>Engagement Review Report With a Peer Review Rating of Pass With Deficiencies</i></b></p>	
<p><b>.118</b> A report with a peer review rating of <i>pass with deficiencies</i> is issued when at least one but not all of the engagements submitted for review contain a deficiency. In the event of a scope limitation, a report with a peer review rating of <i>pass with deficiencies (with a scope limitation)</i> is issued.</p>	<p><b>220.A20 &amp; 100.11</b> A report with a peer review rating of <i>pass with deficiencies</i> is issued when the review captain concludes at least one but not all the engagements submitted for review were nonconforming.</p>	
<p><b><i>Engagement Review Report With a Peer Review Rating of Fail</i></b></p>	<p><b><i>Engagement Review Report With a Peer Review Rating of Fail</i></b></p>	
<p><b>.119</b> A report with a peer review rating of <i>fail</i> is issued when the review captain concludes that, as a result of the deficiencies described in the report, the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects. A report with a peer review rating of <i>fail</i> is issued when deficiencies are evident on all of the engagements submitted for review. The review captain should not expand scope beyond the original selection of engagements in an effort to</p>	<p><b>220.A21 &amp; 100.11</b> A report with a peer review rating of <i>fail</i> is issued when the review captain concludes all the engagements submitted for review contain a deficiency.</p> <p><b>220.A22 &amp; 320.A5</b> The review captain should not expand scope beyond the original selection of engagements in an effort to change the conclusion from a peer review rating of fail in these circumstances.</p>	

<p>change the conclusion from a peer review rating of <i>fail</i> in these circumstances. In the event of a scope limitation, a report with a peer review rating of <i>fail (with a scope limitation)</i> is issued.</p>		
<p><b>General</b></p>	<p><b>General</b></p>	
<p><b>.120</b> In an Engagement Review, the review captain should furnish the reviewed firm with a written report within 30 days of the exit conference date or by the firm’s peer review due date, whichever is earlier. A report on a review performed by a firm should be issued on the letterhead of the firm performing the review. A report by a review team formed by an association of CPA firms should be issued on the letterhead of the firm of the review captain performing the review. Other reports are issued on the letterhead of the administering entity. The report in an Engagement Review ordinarily should be dated as of the date of the exit conference. See interpretations for guidance on notification requirements and submission of peer review documentation to the administering entity.</p>	<p><b>220.34</b> Within 30 days of the exit conference date or by the firm’s peer review due date, whichever date is earlier, the review captain should submit to the administering entity or complete electronically, as applicable, the following documents: (Ref: par. .A28)</p> <ul style="list-style-type: none"> <li>a. Report and letter of response, if applicable</li> <li>b. Review Captain Summary</li> <li>c. Review summary</li> <li>d. FFCs, if applicable</li> <li>e. MFCs, if applicable</li> <li>f. DMFC, if applicable</li> <li>g. Firm’s representation letter</li> </ul>	<p>Timeframe to provide report to firm is covered by 220.34 for document submissions and 220.27 for exit conference considerations.</p>
<p><i>Illustrations of Reports in an Engagement Review</i></p>	<p><i>Illustrations of Reports in an Engagement Review</i></p>	

<p><b>.121</b> The standard form for a report with a peer review rating of <i>pass</i> is illustrated in <a href="#">appendix M</a>, “Illustration of a Report with a Peer Review Rating of <i>Pass</i> in an Engagement Review.” Illustrations of reports with a peer review rating of <i>pass with deficiencies</i> and <i>fail</i> are presented in <a href="#">appendixes N</a>, “Illustration of a Report with a Peer Review Rating of <i>Pass with Deficiencies</i> in an Engagement Review,” and <a href="#">P</a>, “Illustration of a Report with a Peer Review Rating of <i>Fail</i> in an Engagement Review,” respectively. Additional paragraphs included for scope limitations follow the illustrations for System Reviews with scope limitations (see <a href="#">appendixes D, G, and K</a>).</p>	<p><b>220.A30</b> This exhibit contains various illustrations of a peer reviewer’s report on the reviewed firm’s conformity with professional standards on engagements reviewed.</p>	<p>Include in the illustrations in application material: A report by a review team formed by an association of CPA firms should be issued on the letterhead of the firm of the review captain performing the review. Other reports are issued on the letterhead of the administering entity.</p>
<p><b>.122</b> The written report in an Engagement Review should:</p> <ul style="list-style-type: none"> <li>a. State at the top of the report the title “Report on the Firm’s Conformity With Professional Standards on Engagements Reviewed.”</li> <li>b. Include headings for each of the following sections: <ul style="list-style-type: none"> <li>i. Firm’s Responsibility</li> <li>ii. Peer Reviewer’s Responsibility</li> </ul> </li> </ul>	<p><b>220.33</b> The written report in an engagement review should (Ref: par. .A24)</p> <ul style="list-style-type: none"> <li>a. be dated as of the exit conference date.</li> <li>b. be issued on letterhead of the firm performing the review</li> <li>c. state at the top of the report the title “Report on the Firm’s Conformity With Professional Standards on Engagements Reviewed.”</li> <li>d. include headings for each of the following sections: <ul style="list-style-type: none"> <li>i. Firm’s Responsibility</li> <li>ii. Peer Reviewer’s Responsibility</li> <li>iii. Deficiency(ies) Identified in the Firm’s Conformity With Professional Standards on</li> </ul> </li> </ul>	<p><u>See further explanation in the exposure draft explanatory memo regarding “Removal of the term “Significant Deficiency” in Engagement reviews”</u></p>

<ul style="list-style-type: none"> <li>iii. Deficiency(ies) or Significant Deficiency(ies) Identified on the Firm's Conformity With Professional Standards on Engagements Reviewed, if applicable</li> <li>iv. Scope Limitation, if applicable</li> <li>v. Conclusion</li> </ul> <ul style="list-style-type: none"> <li>c. State that the review captain reviewed selected accounting engagements of the firm and include the year-end covered by the peer review.</li> <li>d. State that the peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants.</li> <li>e. State that the nature, objectives, scope, limitations of, and procedures performed in an Engagement Review as described in the Standards can be found on the AICPA website where the Standards are summarized.</li> <li>f. State that the firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of</li> </ul>	<p style="text-align: center;">Engagements Reviewed (if applicable)</p> <ul style="list-style-type: none"> <li>iv. Scope Limitation (if applicable)</li> <li>v. Conclusion</li> </ul> <ul style="list-style-type: none"> <li>e. state that the review captain reviewed selected accounting engagements of the firm and include the year-end covered by the peer review.</li> <li>f. state that the peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews (the standards) established by the Peer Review Board of the American Institute of Certified Public Accountants.</li> <li>g. state that the nature, objectives, scope, limitations of, and procedures performed in an engagement review as described in the standards can be found on the AICPA website where the standards are summarized.</li> <li>h. state that the firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects and for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with professional standards, when appropriate, and for remediating</li> </ul>	
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<p>performing and reporting in conformity with applicable professional standards in all material respects and for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, where appropriate, and for remediating weaknesses in its system of quality control, if any.</p> <p><i>g.</i> State that the reviewer’s responsibility is to evaluate whether the engagements submitted for review were performed and reported on in conformity with applicable professional standards in all material respects.</p> <p><i>h.</i> State that an Engagement Review does not include reviewing the firm’s system of quality control and compliance therewith and, accordingly, the reviewers express no opinion or any form of assurance on that system.</p> <p><i>i.</i> In the event of a scope limitation, include an additional paragraph before the last paragraph that describes the relationship of the excluded engagement(s) to the firm’s practice as a whole, the highest level of service and industry concentration, if any, of the engagement(s) excluded from the potential selection, and the effect of the</p>	<p>weaknesses in its system of quality control, if any.</p> <p><i>i.</i> state that the peer reviewer’s responsibility is to evaluate whether the engagements submitted for review were performed and reported on in conformity with applicable professional standards in all material respects.</p> <p><i>j.</i> state that an engagement review does not include reviewing the firm’s system of quality control and compliance therewith and, accordingly, the review captain expresses no opinion or any form of assurance on that system. (Ref: par. .A25)</p> <p><i>k.</i> in the event of a scope limitation, include an additional paragraph before the last paragraph that describes the relationship of the excluded engagements to the firm’s practice, the highest level of service and industry concentration, if any, of the engagements excluded from the potential selection, and the effect of the exclusion on the scope and results of the peer review. Tailor the conclusion, as appropriate, to address the scope limitation.</p> <p><i>l.</i> identify the different peer review ratings that the firm could receive.</p> <p><i>m.</i> in a report with a peer review rating of <i>pass</i>, state</p> <p style="padding-left: 40px;"><i>i.</i> that nothing came to the review captain’s attention that caused</p>	
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<p>exclusion on the scope and results of the peer review. Tailor the conclusion, as appropriate, to address the scope limitation.</p> <p><i>j.</i> Identify the different peer review ratings that the firm could receive.</p> <p><i>k.</i> In a report with a peer review rating of <i>pass</i>, state:</p> <ul style="list-style-type: none"> <li><i>i.</i> That nothing came to the review captain's attention that caused the review captain to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.</li> <li><i>ii.</i> That the firm has received a peer review rating of <i>pass</i>.</li> </ul> <p><i>l.</i> In a report with a peer review rating of <i>pass with deficiencies</i>,<sup>fn 12</sup> state:</p> <ul style="list-style-type: none"> <li><i>i.</i> That as a result of the deficiencies previously described, the review captain</li> </ul>	<p>the review captain to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.</p> <ul style="list-style-type: none"> <li><i>ii.</i> that the firm has received a peer review rating of <i>pass</i>.</li> </ul> <p><i>n.</i> In a report with a peer review rating of <i>pass with deficiencies</i>, state</p> <ul style="list-style-type: none"> <li><i>i.</i> that because of the deficiencies previously described, the review captain believes that at least one but not all the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.</li> <li><i>ii.</i> that the firm has received a peer review rating of <i>pass with deficiencies</i>.</li> </ul> <p><i>o.</i> In a report with a peer review rating of <i>fail</i>, state</p> <ul style="list-style-type: none"> <li><i>i.</i> that because of the deficiencies previously described, the review captain believes that all the engagements submitted for</li> </ul>	
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<sup>fn 12</sup> See [footnote 11](#).

<p>believes that at least one but not all of the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.</p> <p>ii. That the firm has received a peer review rating of <i>pass with deficiencies</i>.</p> <p>m. In a report with a peer review rating of <i>fail</i>, state:</p> <p>i. That as a result of the deficiencies previously described, the review captain believes that all the engagements submitted for review were not performed or reported on in conformity with applicable professional standards in all material respects.</p> <p>ii. That the firm has received a peer review rating of <i>fail</i>.</p> <p>n. In a report with a peer review rating of <i>pass with deficiencies</i> or <i>fail</i>:</p> <p>i. Include descriptions of the deficiencies or significant deficiencies (each of these</p>	<p>review were not performed or reported on in conformity with applicable professional standards in all material respects.</p> <p>ii. that the firm has received a peer review rating of <i>fail</i>.</p> <p>p. in a report with a peer review rating of <i>pass with deficiencies</i> or <i>fail</i>,</p> <p>i. include descriptions of the deficiencies (each of these should be numbered).</p> <p>ii. if there are any repeat deficiencies, state that the deficiency was noted in the firm’s previous peer review. (Ref: par. .A26–.27)</p> <p>iii. identify the level of service for any deficiencies. If the deficiency is industry specific, also identify the industry.</p> <p><b>220.A27</b> If a repeat deficiency has occurred on two or more prior reviews, the review captain should state in the current report that “this deficiency was noted on previous reviews.”</p>	
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<p>should be numbered) (see interpretations).</p> <p>ii. Identify any deficiencies or significant deficiencies that were also made in the report in the firm’s previous peer review. However, if the specific types of reporting, presentation, disclosure, or documentation deficiencies or significant deficiencies are not substantially the same on the current review as on the prior review, the deficiencies or significant deficiencies would not be considered a repeat (see interpretations).</p> <p>iii. Identify the level of service for any deficiencies or significant deficiencies. If the deficiency or significant deficiency is industry specific, also identify the industry.</p>		
<p><b>Firm Responses in an Engagement Review and Related Review Captain Considerations</b></p>	<p><b>Firm Responses in an Engagement Review</b></p>	
<p><b>.123</b> The firm should discuss matters, findings, deficiencies, and significant deficiencies with the review captain. If the firm disagrees with one or more of the findings, deficiencies, or significant deficiencies,</p>	<p><b>320.11</b> The firm should discuss matters, findings, and deficiencies with the review captain. Ordinarily, this discussion occurs during the closing meeting. If the firm disagrees with</p>	

<p>the firm should contact the administering entity for assistance and follow the guidance in <a href="#">paragraph .116</a> to resolve the disagreement.</p>	<p>one or more of the findings or deficiencies, and the firm and reviewer can't come to a resolution, the firm should contact the administering entity for assistance and follow the guidance in section 100 to resolve the disagreement. (Ref: par. .A9)</p>	
<p><b>.124</b> The firm should respond to all matters communicated on an MFC form, findings communicated on an FFC form, and deficiencies or significant deficiencies communicated in the peer review report. The firm's response to deficiencies or significant deficiencies should be communicated in a letter of response addressed to the administering entity's peer review committee. The firm's draft responses should be provided to the review captain as soon as practicable to allow the review captain sufficient time to assess the firm's response prior to the exit conference.</p>	<p><b>320.13</b> The firm should respond to</p> <ul style="list-style-type: none"> <li>a. matters via the MFC,</li> <li>b. findings via the FFC, and</li> <li>c. deficiencies via a letter of response.</li> </ul> <p><b>320.15</b> The firm's draft responses should be provided to the review captain as soon as possible after the closing meeting to allow the review captain enough time to assess the firm's response prior to the exit conference. (Ref: par. .A15)</p>	
<p><b>.125</b> If the firm receives an FFC form or a report with a peer review rating of <i>pass with deficiencies</i> or <i>fail</i>, it is the firm's responsibility to identify the appropriate remediation of findings, deficiencies, and significant deficiencies and to appropriately respond (see interpretations). The reviewed firm should address the firm's actions taken or planned to remediate the findings, deficiencies or significant deficiencies, including timing of the</p>	<p><b>320.12</b> The firm should identify the appropriate remediation of findings and deficiencies. (Ref. par. .A10)</p>	<p>Moved last sentence to the following paragraph.</p> <p><u>See further explanation in the exposure draft explanatory memo regarding "Removal of the term "Significant Deficiency" in Engagement reviews"</u></p>

<p>remediation and additional procedures to ensure the finding, deficiency, or significant deficiency is not repeated in the future.</p>		
<p><b>.126</b> The review captain should review and evaluate the responses on the FFC forms and letter of response prior to the exit conference. The appropriateness of the firm’s response should be discussed during the exit conference. The firm’s letter of response should be finalized and dated as of the exit conference date and provided to the review captain. The review captain should include the firm’s letter of response with his or her report and working papers submitted to the administering entity (see interpretations).</p>	<p><b>220.26</b> The review captain should review and evaluate the responses on the FFCs and letter of response prior to the exit conference. The review captain should consider the following: (Ref: par. .A14–A15)</p> <ul style="list-style-type: none"> <li><i>a.</i> The firm’s response should include the firm’s actions taken or planned to remediate the findings or deficiencies, including timing of the remediation, and additional procedures to ensure the finding or deficiencies are not repeated in the future.</li> <li><i>b.</i> The firm’s action should be feasible, genuine, and comprehensive.</li> <li><i>c.</i> If the firm has acted, the review captain should review documentation of actions taken and consider whether the actions are appropriate. (Ref. par. .A16)</li> </ul> <p><b>320.14</b> The firm’s responses on the FFCs and letter of response should (Ref. par. .A11–.A14)</p> <ul style="list-style-type: none"> <li><i>a.</i> include the firm’s actions taken or planned to remediate the findings or deficiencies, including <ul style="list-style-type: none"> <li><i>i.</i> timing of the remediation and</li> </ul> </li> </ul>	<p>Last sentence of extant par. .126 removed b/c covered in the submission of workpapers paragraph.</p>

	<ul style="list-style-type: none"> <li>ii. additional procedures to ensure the finding or deficiency is not repeated in the future.</li> <li>b. be feasible, genuine, and comprehensive</li> <li>c. be addressed to the administering entity’s peer review committee,</li> <li>d. be dated as of the exit conference, and</li> <li>e. be on firm letterhead</li> </ul>	
<p><b>.127</b> Illustrations of letters of responses by a reviewed firm to reports with a peer review rating of <i>pass with deficiencies</i> and <i>fail</i> are included in <a href="#">appendixes O</a>, “Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of <i>Pass With Deficiencies</i> in an Engagement Review,” and <a href="#">Q</a>, “Illustration of a Response by a Reviewed Firm to a Report With a Peer Review Rating of <i>Fail</i> in an Engagement Review.”</p>	<p><b>320.A20</b> This exhibit contains an illustration of a firm’s letter of response to a peer review report rating of pass with deficiencies or fail (engagement reviews).</p>	<p>See 320.A20 in Exhibit B – Illustrative Example of a Firm’s Letter of Response</p> <p>One illustration provided that may be used with either PWD or Fail reports because term “significant deficiency” was removed for engagement reviews.</p> <p><u>See further explanation in the exposure draft explanatory memo regarding “Removal of the term “Significant Deficiency” in Engagement reviews”</u></p>

<p><b>Administering Peer Reviews</b></p>		<p>Mapping of additional requirements established by extant PRP 3300 (RAB Handbook) are documented separately.</p>
<p><b>.128</b> All peer reviews intended to meet the requirements of the program should be carried out in conformity with these standards under the supervision of a state CPA society, group of state CPA societies, the board’s committees including but not limited to the National PRC (see interpretations), or other entity (hereinafter, administering entity) approved by the board to administer peer reviews. This imposes an obligation on reviewed firms to facilitate completion of their peer reviews in compliance with the procedures established by the board, and to cooperate with the peer reviewer, administering entity, and the board in all matters related to the review, that could impact the firm’s enrollment in the program.</p>		<p>Removed. Addressed important elements in PR-C sections 100 and 400</p>
<p><b>.129</b> Entities requesting to administer the program are required to complete and sign a Plan of Administration (plan) annually whereby the entity agrees to administer the program in compliance with these standards, interpretations, and other guidance established by the board. Upon receipt of the plans by the AICPA, including jurisdictions requesting</p>		<p>Removed – covered in section 100 with the definition of an Administering entity (approved by the board to administer the program).  Does not reference a “Plan of Administration” as the name could change.</p>

<p>another entity to administer the program for firms in its state, the board annually approves the administering entities for all of the jurisdictions covered by the program.</p>		
<p><b>.130</b> This imposes an obligation on the administering entities to ensure that their staff, technical reviewers, committee members, and all others involved in the administration of the program and performance of peer reviews comply with these standards, interpretations, and other guidance established by the board. Administering entities shall also cooperate with the board in all matters related to the administration of the program. Failure to comply with these standards, interpretations, and other guidance may result in the revocation of the administering entity’s plan by the board. If an administering entity refuses to cooperate or is found to be deficient in administering the program in compliance with these standards or with other guidance, the board may decide pursuant to fair procedures whether the administering entity’s plan should be revoked or whether some other action should be taken.</p>	<p><b>400.06</b> In electing to administer the program, an AE agrees to do the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> Comply with the standards.</li> <li><i>b.</i> Cooperate with the board in all matters related to the administration of the program. (Ref: par. .A2)</li> <li><i>c.</i> Engage an experienced CPA on staff to lead and manage the program. (Ref: par. .A3) <b>[CPA On Staff Guidance]</b></li> <li><i>d.</i> Appoint a peer review committee of at least six members to oversee the administration of the program. (Ref: par. .A4–.A5) <b>[1000.132 / 3300.3.II.C]</b></li> <li><i>e.</i> Comply with AICPA system security guidelines. <b>[Plan of Administration]</b></li> <li><i>f.</i> Establish a back-up plan for key individuals involved in the administration of the program. <b>[3300.1.III.D]</b></li> <li><i>g.</i> Establish familiarity threat policies and procedures that identify, evaluate the significance of, and apply safeguards to mitigate those threats. (Ref: par. .A6) <b>[3300.1.VII]</b></li> <li><i>h.</i> Annually submit a comprehensive and written oversight program that meets minimum requirements established by the</li> </ul>	<p>Additional bullets come from the section referenced in brackets  (e.g. 3300.1.III.K comes from the RAB Handbook, Chapter 1, Section III, Bullet K)</p>

	<p>board and ensures the program is performed in accordance with the standards. (Ref: par. .A7) <b>[3300.1.III.C]</b></p> <ul style="list-style-type: none"> <li><i>i.</i> Establish policies and procedures to address disagreements that arise between parties to a peer review. (See appendix B, “Disagreements”) <b>[3300.1.III.E + K]</b></li> <li><i>j.</i> Establish procedures to ensure consistent application of the standards. <b>[3300.1.III.B]</b></li> <li><i>k.</i> Monitor reviewer performance. (See section 430)</li> <li><i>l.</i> Perform procedures to verify that reviewer resumes accurately reflect the reviewer qualifications. <b>[3300.8.III.C]</b></li> <li><i>m.</i> Monitor firms enrolled in the program within its jurisdiction. <b>[see Appendix E, Firm Monitoring]</b></li> <li><i>n.</i> Evaluate the qualifications and competencies of technical reviewers at least annually. <b>[3300.1.III.M]</b></li> <li><i>o.</i> Ensure reviews are presented for evaluation to a RAB or accepted by the technical reviewer in a timely manner as follows: (Ref: par. .A8) <b>[1000.133]</b> <ul style="list-style-type: none"> <li><i>i.</i> Reviews required to be presented to a RAB are presented within 120 days of the receipt of the working papers from the captain.</li> <li><i>ii.</i> Engagement reviews meeting the criteria to be accepted by a technical</li> </ul> </li> </ul>	
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	<p>reviewer are accepted by the technical reviewer or presented to a RAB within 60 days of the receipt of the working papers from the captain.</p> <p>iii. Meeting materials are provided to RAB members at least seven days in advance of the date of the RAB meeting.</p> <p><b>400.A2</b> If an AE fails to comply with the requirements of the program, refuses to cooperate, or is found to be deficient in administering the program in compliance with these standards, the board may (pursuant to fair procedures) take appropriate remedial actions.</p>	
<p><b>.131</b> Due to the volume of peer reviews, firms, reviewers, and other contributing factors, the board recognizes that administering entities, and in some situations firms and peer reviewers, may need the flexibility, in specific circumstances, to implement alternate methods of complying with the standards, interpretations, or guidance issued by the board. The board or its staff will consider reasonable requests from administering entities' peer review committees on such matters. The comprehensiveness of the administering entity's oversight policies and procedures will be considered as well as such factors as whether the objectives of the standards, interpretations, or guidance would still be met. Requests for</p>		<p>Removed. This is included in the POA and does not establish explicit requirement to be included.</p>

<p>consideration of alternative methods must be approved by the board in writing prior to implementing alternative methods of complying with the standards, interpretations, or other guidance. Ordinarily, such requests should be submitted in conjunction with an administering entity's plan.</p>		
<p><b>Fulfilling Peer Review Committee and Report Acceptance Body Responsibilities</b></p>		
<p><b>.132</b> An administering entity appoints a peer review committee to oversee the administration, acceptance, and completion of peer reviews. The committee may decide to delegate a portion of the report acceptance function to report acceptance bodies (RABs), whose members may be, but are not required to be, members of the committee as well. Members of a committee or a RAB must meet minimum qualification requirements (see interpretations). It is ultimately the committee's responsibility to ensure that it (or a RAB on its behalf) considers the results of peer reviews it administers that are undertaken to meet the requirements of the program. The activities of the committee should be carried out in accordance with administrative procedures and guidance issued by the board. Committee members may not participate in any discussion or have any vote with respect to a reviewed firm if the member lacks</p>	<p><b>410.01</b> This section contains requirements and application material for the administering entity (AE), peer review committee (committee), report acceptance body (RAB) and technical reviewers regarding the evaluation and acceptance of all reviews. For purposes of this section, it is assumed that the committee has delegated the report acceptance function to the RAB, whose members may be, but are not required to be, members of the committee. The requirements and guidance in this section supplement the requirements and guidance in section 100, <i>Concepts Common to All Peer Reviews</i>, and section 400, <i>General Principles and Administration Responsibilities</i>. Additionally, individuals involved in the administration of the program should be familiar with reviewer and firm requirements in the following PR-C sections:</p>	<p>Appointing a peer review committee covered in bullet <i>d</i> mapped at paragraph .130.</p> <p>Committee and RAB qualifications mapped at section 2000.</p> <p>Examples of independence / conflicts of interest come from RAB Handbook, Chapter 1, Section VI.</p>

<p>independence or has a conflict of interest with the reviewing firm, the reviewer, or the reviewed firm.</p>	<ul style="list-style-type: none"> <li>a. Section 210, <i>General Principles and Responsibilities for Reviewers — System Reviews</i></li> <li>b. Section 220, <i>General Principles and Responsibilities for Reviewers — Engagement Reviews</i></li> <li>c. Section 310, <i>General Principles and Responsibilities for Reviewed Firms — System Reviews</i></li> <li>d. Section 320, <i>General Principles and Responsibilities for Reviewed Firms — Engagement Reviews</i></li> </ul> <p><b>400.20</b> The committee should do the following: (Ref: par .A4 and .A22)</p> <ul style="list-style-type: none"> <li>a. Carry out its activities in accordance with administrative procedures and guidance issued by the board.</li> <li>b. Oversee the administration, acceptance, and completion of peer reviews it has agreed to administer. <b>[3300.1.III.A]</b></li> <li>c. Evaluate the adequacy of the policies and procedures required to be established by the AE per items (f)–(i) of paragraph .05.</li> <li>d. Monitor the performance of reviewers within its jurisdiction and, when appropriate, prescribe effective corrective actions or recommend to the board that a reviewer be prohibited from performing peer reviews in the future. <b>[3300.1.III.I &amp; J / 3300.8.II.H]</b></li> </ul>	<p>Paragraph .19 bullet <i>c</i> is included to address the items from the RAB Handbook that are noted as the committee’s responsibility to establish such policies and procedures, but in reality the AE establishes the policies and procedures while the committee ensures they are appropriate.</p>
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- e. Monitor firms that are not cooperating or not complying with the requirements of the program. (See appendix A, “Failure to Cooperate or Comply With the Requirements of the Program Referral Responsibilities”) [3300.6.IV]

**400.11 [1000.132 / 3300.1.VI]** Individuals associated with the AE that lack independence or have a conflict of interest with a reviewing firm, reviewer, or reviewed firm should recuse themselves from any discussion regarding the reviewed firm's peer review. Circumstances that would cause an individual to experience a conflict of interest include, but are not limited to, the following:

- a. The individual's firm performed the most recent or immediately preceding peer review of the affected firm.
- b. The individual served on the review team that performed the most recent or immediately preceding peer review of the affected firm.
- c. The individual served on a disagreement panel involving the firm's current review.
- d. The individual believes that the individual could not be impartial or objective.
- e. The individual's independence is impaired as a result of situations such as those

	described in paragraph .16 of section 200, <i>General Principles and Responsibilities for Reviewers.</i>	
<p><b>.133</b> The committee’s report acceptance body responsibilities include, but are not limited to:</p> <p><i>a.</i> Ensuring that peer reviews are presented to an RAB in a timely manner, ordinarily within 120 days of the receipt of the working papers, peer review report, and letter of response, if applicable, from the team captain or review captain, or within 60 days for Engagement Reviews meeting certain criteria (see <a href="#">paragraphs .137–.138</a>).</p> <p><i>b.</i> Considering whether the review has been performed in accordance with these standards, interpretations, and related guidance materials.</p> <p><i>c.</i> Considering whether the report, and the response thereto, if applicable, are in accordance with these standards, interpretations, and related guidance materials, including an evaluation of the adequacy of the corrective actions the reviewed firm has represented that it has taken or will take in its letter of response.</p>	<p><b>400.26</b> The RAB should evaluate each peer review presented for acceptance to determine whether the review was performed and reported on in accordance with the standards. After the evaluation of the peer review documents, the RAB should vote on acceptance, deferral or delayed acceptance of the review. Specific criteria for evaluating peer reviews are in paragraphs .11–.15 of section 410.</p> <p><b>400.30 (1000.133f)</b> The RAB should evaluate the results of corrective actions and implementation plans to determine if they have been completed as required and whether the reviewed firm should be required to perform additional actions. (See paragraphs .09–.10 of section 420)</p>	<ul style="list-style-type: none"> <li>• Subparagraph <i>a</i> is bullet 400.05 bullet <i>o</i> mapped at paragraph .130.</li> <li>• Subparagraph <i>g</i> is at 400.05<i>m</i> for monitoring firm’s enrolled in the program within the AEs jurisdiction.</li> <li>• Application material for corrective actions and implementation plans included in mapping of the RAB Handbook.</li> <li>• Bullets <i>c – f</i> are covered in more detail in PR-C 410, mapped at Interpretations and RAB Handbook as they go into more details.</li> <li>• Last paragraph mapped from RAB Handbook (chapter 1, section III, B and chapter 6, section I.A)</li> </ul>

d. Determining whether it should require any remedial, corrective actions related to the deficiencies or significant deficiencies noted in the peer review report, in addition to or in affirmation of those described by the reviewed firm in its letter of response. Examples of such corrective actions include, but are not limited to, requiring certain individuals to obtain specified kinds and specified amounts of CPE, requiring the firm to carry out more comprehensive monitoring procedures, or requiring it to engage another CPA to perform pre-issuance or post-issuance reviews of financial statements, reports, and accounting and audit documentation to attempt to strengthen the performance of the firm's personnel.

e. In relation to FFCs:

1. Considering whether FFC (and associated MFC and DMFC) forms are prepared in accordance with these standards, interpretations, and related guidance materials, including whether the findings addressed on the FFC forms should have been included in a report with a peer review rating of *pass with deficiencies* or *fail*.

<p>2. Determining the adequacy of the plan the reviewed firm has represented that it has implemented or will implement in its response on the FFC form(s).</p> <p>3. Determining whether it should require an implementation plan in addition to or as an affirmation of the plan described by the reviewed firm in its response to the findings on the FFC form(s).</p> <p><i>f.</i> Ensuring that all corrective actions related to deficiencies or significant deficiencies in the peer review report and all implementation plans related to findings on FFC forms have been completed to the satisfaction of the committee.</p> <p><i>g.</i> Ensuring that all firms within its jurisdiction have timely peer reviews and keeping track of the timing of the completion of corrective actions and implementation plans by all firms that the committee has required, including those that are overdue.</p>		
<p><b>.134</b> In reaching its conclusions on the preceding items, the committee is authorized to make</p>	<p><b>410.A6 [1000.134 &amp; 3300.3.IV]</b> The RAB is authorized to make inquiries or request additional actions it considers necessary in the circumstances</p>	<p>Some sub bullets come from RAB Handbook <b>[3300.3.IV]</b></p>

<p>whatever inquiries or initiate whatever actions it considers necessary in the circumstances, including but not limited to requesting expansion of scope, revisions to the report, or the reviewed firm’s response thereto. Such inquiries or actions by the committee should be made with the understanding that the program is intended to be positive and remedial in nature and is based on mutual trust and cooperation.</p>	<p>to properly evaluate the review. Examples of such inquires or actions include, but are not limited to requesting:</p> <ul style="list-style-type: none"> <li><i>a.</i> expansion of scope,</li> <li><i>b.</i> corrections or clarifications to peer review documents,</li> <li><i>c.</i> all peer review documentation from the team or review captain not previously provided, and</li> <li><i>d.</i> oversight of engagement(s) or peer review documents.</li> </ul>	
<p><b>.135</b> In the rare event of a disagreement between the administering entity and either the reviewer or the reviewed firm that cannot be resolved by ordinary good-faith efforts, the administering entity may request that the matter be referred to the board for final resolution. Only the approved administering entity’s peer review committee will be responsible for determining whether a disagreement still exists in order to refer the matter to the board. In these circumstances, the board may consult with representatives of other AICPA committees or with appropriate AICPA staff.</p>	<p><b>400.A22</b> In the event of a disagreement between the AE and either the reviewer or the reviewed firm that cannot be resolved by ordinary good-faith efforts, the AE may request that the matter be referred to the board for final resolution. The AE’s committee is responsible for determining whether a disagreement exists that should be referred, and if so, may refer the matter to the board for resolution. In these circumstances, the board may consult with representatives of other AICPA committees or with appropriate AICPA staff.</p>	<ul style="list-style-type: none"> <li>• Requirement for committee to refer disagreements to the board tied in with requirement to establish fair procedures (3300.1.III.K)</li> </ul>

<b>Accepting System and Engagement Reviews</b>		
<p><b>.136</b> Technical reviews are required to be performed by the administering entity on all peer reviews. Technical reviewers must meet minimum qualification requirements (see interpretations).</p>	<p><b>400.47 [1000.136 + 3300.2.II]</b> Technical reviews are required to be performed on all peer reviews. The technical reviewer should review peer review documents, evaluate whether the peer review documentation provides satisfactory evidence of compliance with the standards and supports the conclusions reached, and complete the technical reviewer’s checklist. (See paragraphs .05–.10 of section 410)</p>	<p>Technical reviewer qualifications mapped in PRP 2000.</p>
<p><b>.137</b> All System Reviews are required to be presented for committee consideration, but committee consideration is not always required in an Engagement Review. The technical reviewer<sup>fn 13</sup> should be delegated the authority from the committee to accept Engagement Reviews in certain circumstances (see interpretations).</p>		<ul style="list-style-type: none"> <li>• Mapped at Interpretation 137-1.</li> </ul>
<p><b>.138</b> Engagement Reviews that do not require committee consideration are required to be accepted by the technical reviewer within 60 days of receipt of the working papers and report</p>		<p>Information is in PR-C section 400.05 bullet o, mapped at paragraph .130.</p>

<sup>fn 13</sup> The responsibilities and the role of technical reviewers are included in the AICPA Peer Review Program Report Acceptance Body Handbook, which is provided to all administering entities.

<p>from the review captain. If the committee does not delegate the authority to the technical reviewer to accept Engagement Reviews under the specific criteria indicated previously, the review is required to be presented to the committee within 60 days of receipt of the working papers and report from the review captain.</p>		
<p><b>.139</b> In deciding on the need for and nature of any corrective actions, the committee should consider the nature and significance (and for System Reviews, the systemic causes, pattern, pervasiveness, and relative importance to the system of quality control as a whole) of the deficiencies or significant deficiencies. It should evaluate whether the reviewed firm's actions taken or planned to remediate deficiencies in the system of quality control and nonconforming engagements, if applicable, appear comprehensive, genuine, and feasible.</p>	<p><b>420.07 [1000.139 / 3300]</b> The decision to require corrective actions or implementation plans should include</p> <ul style="list-style-type: none"> <li><i>a.</i> considering the nature and significance of the findings, deficiencies or significant deficiencies;</li> <li><i>b.</i> evaluating whether the firm's actions taken or planned to remediate nonconforming engagements, if applicable, appear comprehensive, genuine, and feasible; and</li> <li><i>c.</i> considering any actions the reviewed firm has already taken that were reviewed by the reviewer prior to RAB evaluation.</li> </ul> <p><b>420.A7</b> Requiring a firm to take CPE is a common required corrective action; however, the submission of CPE certificates alone does not necessarily give a firm an opportunity to demonstrate the effectiveness of changes implemented or improvements that may</p>	

	<p>reduce the risk the firm will have repeat deficiencies or significant deficiencies. Additionally, for firms with a second consecutive non-pass report (but not a third), the RAB evaluates whether to refer the firm for potential termination based on the results of corrective actions. In such a situation, it may be appropriate to require the firm to take specified types and amounts of CPE and subsequently engage a third party to perform a pre-issuance or post-issuance review of a specific engagement to demonstrate improvement.</p>	
<p><b>.140</b> If the peer review committee determines that corrective actions related to the deficiencies or significant deficiencies noted in the peer review report, in addition or as an affirmation of those described by the firm in its letter of response, are appropriate, the firm will be required to evidence its agreement to perform these corrective action(s) in writing before the report is accepted and complete the action(s) as a condition of cooperation with the administering entity and the board.</p>		<p>Information is included within the definition of acceptance in section 400, mapped at the RAB Handbook, Chapter 3 Section V.</p>
<p><b>Cooperating in a Peer Review</b></p>		
<p><b>.141</b> <a href="#">Paragraph .05h</a> of the standards noted that firms (and individuals) enrolled in the program have the responsibility to cooperate with the peer</p>		<p>Removed; covered in 300.05h-1</p>

<p>reviewer, administering entity, and the board in all matters related to the peer review, that could impact the firm's enrollment in the program, including taking remedial, corrective actions or implementing FFC plans as needed.</p>		
<p><b>.142</b> In deciding on the need for and nature of any implementation plan in addition to, or in affirmation of, that described by the firm in its response on the FFC form, the committee should consider the nature and significance (and for System Reviews, the systemic causes, pattern, pervasiveness, and relative importance to the system of quality control as a whole) of the findings. It should evaluate whether the reviewed firm's actions taken or planned to remediate nonconforming engagements and systemic findings appear comprehensive, genuine, and feasible.</p>		<ul style="list-style-type: none"> <li>• Similar considerations for corrective actions are aggregated and mapped from extant par. .139.</li> </ul>
<p><b>.143</b> If the peer review committee determines, as part of its deliberations regarding the peer review, that an implementation plan in addition to or as an affirmation of those described by the firm in its responses on the FFC form are warranted, the firm will be required to evidence its agreement to perform this FFC implementation plan in writing and complete the plan as a condition of cooperation with the administering entity and the board (see interpretations). Although agreeing to and completing such a plan is not tied to the</p>		<ul style="list-style-type: none"> <li>• Covered in definition of acceptance and considerations of requiring implementation plans.</li> </ul>

<p>acceptance of the peer review, if a firm fails to cooperate, the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated (see interpretations). The resulting MFC, DMFC, and FFC forms, as well as any correspondence relating to the implementation plan to be followed by the firm related to these documents, are outside of the reporting and acceptance process.</p>		<ul style="list-style-type: none"> <li>• Noncooperation covered in section 400 and Appendix A— Failure to Cooperate or Comply With the Requirements of the Program Referral Responsibilities.</li> </ul>
<p><b>.144</b> If a reviewed firm refuses to cooperate, fails to correct deficiencies or significant deficiencies, or is found to be so seriously deficient in its performance that education and remedial, corrective actions or implementation plans are not adequate, the board may decide, pursuant to fair procedures that it has established, to appoint a hearing panel to consider whether the firm's enrollment in the program should be terminated or whether some other action should be taken. A firm that receives peer reviews with recurring deficiencies or significant deficiencies that are not corrected may be deemed as a firm refusing to cooperate. In addition, a firm that fails to correct deficiencies or significant deficiencies after consecutive corrective actions required by the committee on the same peer review may also be deemed as a firm refusing to cooperate.</p>		<ul style="list-style-type: none"> <li>• Removed – mapped from RAB Handbook and included in Appendix A.</li> </ul>

<p><b>.145</b> If a decision is made by the hearing panel to terminate a firm’s enrollment in the program, firms with AICPA members will have the right to appeal to the AICPA Joint Trial Board for a review of the termination decision. As to AICPA members, the fact that a firm’s enrollment in the program has been terminated shall be published in such form and manner as the AICPA Council may prescribe. Firms without AICPA members will have the right to appeal in accordance with fair procedures developed by the board for a review of the termination decision.</p>		<p>Addressed in PR-C sections 100 and 300.</p>
<p><b>Publicizing Peer Review Information</b></p>		
<p><b>.146</b> The reviewed firm should not publicize the results of the review or distribute copies of the peer review report to its personnel, clients, or others until it has been advised that the report has been accepted (see interpretations) by the administering entity as meeting the requirements of the program. Neither the administering entity nor the AICPA shall make the results of the review, or information related to the acceptance or completion of the review, available to the public, except as authorized or permitted by the firm under certain circumstances (see interpretations). The</p>	<p><b>300.18</b> The firm should not publicize the results of the review or distribute copies of the peer review report to its personnel, clients, or others until the date of acceptance. (Ref: par. .A15–.A20)</p> <p><b>300.A15</b> The firm’s administering entity and AICPA staff may disclose to third parties the following information:</p> <ul style="list-style-type: none"> <li>a. The firm’s name and address</li> <li>b. Whether the firm is enrolled in the program</li> </ul>	

administering entity and the AICPA may disclose the following information:

- a.* The firm's name and address
- b.* The firm's enrollment in the program
- c.* The date of acceptance and the period covered by the firm's most recently accepted peer review
- d.* If applicable, whether the firm's enrollment in the program has been dropped or terminated

- c.* The date of acceptance and period covered by the firm's most recently accepted peer review
- d.* The most recent date that the firm's enrollment in the program has been dropped or terminated, if applicable

This information is available in the AICPA public file for all firms enrolled in the program.

**300.A16** The firm may authorize its administering entity or AICPA staff to make its peer review results available to the public or to state boards of accountancy. Peer review results include, as applicable, the

- a.* Peer review report
- b.* Letter of response
- c.* Acceptance letter
- d.* Letters signed by the reviewed firm indicating that the peer review documents have been accepted with the understanding that the reviewed firm agrees to take certain actions
- e.* Letter signed by the administering entity notifying the reviewed firm that certain required actions have been completed

The authorization ordinarily occurs during the firm's peer review scheduling process when the firm may choose not to opt out of the program's

process for voluntary disclosure through Facilitated State Board Access (FSBA).

**300.A17** A firm may voluntarily become a member of one of the AICPA's audit quality centers or sections that require as a condition of membership, to make its peer review results (described in paragraph .A16) open to public inspection.

**300.A18** When the firm's peer review is ongoing, the firm may give the administering entity or AICPA staff written authorization to provide specific information (in addition to the information in paragraph .A15) to third parties. The following (or similar) types of objective information about the review may be provided, if known:

- a.* The date the review is or was scheduled to take place
- b.* The name of the reviewing firm, team captain or review captain
- c.* If the fieldwork on the peer review has commenced
- d.* The date the exit conference was expected to or did occur
- e.* A copy of any extension approval letters
- f.* Whether the peer review working papers have been received by the administering entity
- g.* Whether a must-select engagement was included in the scope as required by the standards

- h.* If a technical review is in process
- i.* Whether the review has been presented for acceptance
- j.* The date the review is expected to be presented for acceptance
- k.* The specific overdue letters (such as but not limited to scheduling the peer review, completion of remedial actions) requested by third parties

**300.A19** When there is evidence of an open ethics investigation and the firm knowingly makes an informed, voluntary, written waiver of the right to confidentiality, in those circumstances, AICPA Peer Review staff may provide information to the AICPA Professional Ethics Division. Information available for disclosure about the firm includes, but is not limited to the following:

- a.* Fieldwork commencement date
- b.* Exit conference date
- c.* Review acceptance date
- d.* Levels of service and industries included in the firm's peer review information for prior or current peer reviews
- e.* Levels of service and industries included in prior or current peer reviews and those determined not to be in conformity with professional standards in all material respects

	<p><i>f.</i> Signed confirmations by a firm representative that the enrolled firm did not perform any services or issue reports that would require the firm to undergo a peer review</p> <p><i>g.</i> Other similar information related to a prior or current peer review</p> <p><b>300.A20</b> The firm may give the administering entity or AICPA staff other written requests to provide information or documents to a third party which will be considered on a case-by-case basis by the administering entity or the AICPA. However, neither the administering entity nor the AICPA will provide information that is subjective (due to different definitions or interpretations by third parties), even with firm authorization, such as the following:</p> <p><i>a.</i> Stating solely that the review is “in process” or responding to an inquiry solely regarding what the “general status” of a peer review is</p> <p><i>b.</i> The peer review report rating prior to the peer review’s acceptance</p> <p><i>c.</i> Whether there are indications that the firm, reviewing firm, team captain, or review captain are cooperating (or not cooperating) with the AICPA or administering entity</p> <p><i>d.</i> An indication of the quality or completeness of peer review working</p>	
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	<p>papers received by the administering entity</p> <ul style="list-style-type: none"> <li><i>e.</i> Reasons why peer review working papers, implementation plans, or corrective actions are late</li> <li><i>f.</i> Whether a firm is close to submitting documents or completing implementation plans or corrective actions</li> <li><i>g.</i> Reasons for or the likely outcome if the firm is going through fair procedures to determine whether it is cooperating with the AICPA or the administering entity</li> </ul> <p><b>400.08</b> Except as authorized by the reviewed firm, individuals involved in the administration of the program should disclose only the following information regarding a reviewed firm: (Ref: par. .A1 and .A11–.A13)</p> <ul style="list-style-type: none"> <li><i>a.</i> The firm’s name and address</li> <li><i>b.</i> Whether the firm is enrolled in the program</li> <li><i>c.</i> The date of acceptance and the period covered by the firm’s most recently accepted peer review</li> <li><i>d.</i> The most recent date the firm’s enrollment in the program has been dropped or terminated, if applicable</li> </ul> <p><b>400.A1 [1000.146]</b> Individuals involved in the administration of the program includes, but is not limited to:</p> <ul style="list-style-type: none"> <li><i>a.</i> the CPA on staff,</li> </ul>	
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	<ul style="list-style-type: none"> <li><i>b.</i> technical reviewers,</li> <li><i>c.</i> administrators,</li> <li><i>d.</i> committee members, and</li> <li><i>e.</i> report acceptance body (RAB) members.</li> </ul>	
<b>Peer Reviewers' Performance and Cooperation</b>		
<b>.147</b> A team captain, review captain, or reviewer (hereinafter, reviewer) has a responsibility to perform a review in a timely, professional manner. This relates not only to the initial submission of the report and materials on the review, but also to the timely completion of any additional actions necessary to complete the review, such as completing any omitted documentation of the work performed on the review and resolving questions raised by the committee or technical reviewer accepting the review as well as the board and AICPA staff.		See mapping of 147-1
<b>.148</b> In considering peer review documents for acceptance, the committee evaluates the reviewer's performance on the peer review. In addition to the committee's evaluation, the board and AICPA staff also evaluate and track reviewers' performance on peer reviews. If a	<b>200.32</b> A reviewer's performance is evaluated by the committee or RAB, AICPA staff, and the board. If a reviewer's work exhibits performance findings or deficiencies, the reviewer should correct areas of noncompliance that are identified by the committee or RAB on a reviewer performance feedback form. (Ref: par. A41)	

<p>pattern of reviewer performance findings<sup>fn 14</sup> by a particular reviewer is noted, then the board or committee should issue a performance deficiency letter requiring the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future. If more than one reviewer performance deficiency<sup>fn 15</sup> is noted (regardless of whether a pattern is present), then the board or committee should either issue a performance deficiency letter requiring the reviewer to complete one or more corrective actions or recommend to the board that the reviewer be prohibited from performing peer reviews in the future.</p>	<p><b>200.A41</b> If a committee recommends to the board that a reviewer be prohibited from performing peer reviews in the future or a reviewer appeals to the board in accordance with paragraph .38, the board will review and consider the recommendation or appeal in accordance with appendix A, <i>Rules of Procedures for Reviewers</i></p> <p><b>200.34</b> If a reviewer exhibits a pattern of performance findings or has more than one reviewer performance deficiency, the committee or board should consider whether it is appropriate to issue a performance deficiency letter requiring the reviewer to complete one or more corrective actions. Those actions are applicable to the reviewer’s participation in the performance of any peer review and, therefore, be recognized by all administering entities. (Ref. par. .A42)</p>	
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<sup>fn 14</sup> These terms are defined in the AICPA Peer Review Program Report Acceptance Body Handbook.

<sup>fn 15</sup> These terms are defined in the AICPA Peer Review Program Report Acceptance Body Handbook.

<p><b>.149</b> In situations in which one or more of such corrective actions are required, the administering entity must inform AICPA staff and such actions will be recognized by all other administering entities. Any corrective action required of a reviewer will apply to the individual's participation in the performance of any peer review unless the condition is specific to the individual's service as only a team captain, review captain, team member, or QCM reviewer.</p>	<p><b>430.09</b> Corrective actions or restrictions included in a PDL should be adhered to by all AEs and applied to the individuals' participation in the performance of any peer review unless the condition is specific to the individual's service as a team captain, review captain, or team member. Corrective actions or restrictions included in a PDL should remain in effect for reviews that the reviewer commences after acknowledging receipt of the PDL until either:</p> <ul style="list-style-type: none"> <li>a. the corrective actions and restrictions are withdrawn or</li> <li>b. the reviewer has appealed the PDL and the hearing panel determines that the corrective actions or restrictions should be removed or revised.</li> </ul>	<p>Included in 200.34 (mapped to extant par. .148 above)</p> <p>Notifying AICPA staff is not necessary b/c the AE has to use PRIMA, thus inherently staff is notified.</p> <p>See explanatory memo of the exposure draft for further explanation of "Removal of Guidance on Performing and Reporting on Reviews of Quality Control Materials"</p>
<p><b>.150</b> If the reviewer disagrees with the corrective action(s) required by the committee or board, he or she may appeal the decision by writing the board and explaining why he or she believes that the action(s) are unwarranted. A hearing panel formed by the board will review and consider the request and take further action pursuant to fair procedures that it has established.</p>		<p>Removed. See mapping of extant par. .152</p>
<p><b>.151</b> If a reviewer fails to correct reviewer performance deficiencies after a corrective action has been required or has committed</p>	<p><b>430.11</b> The committee should issue a letter to the board recommending that a reviewer be removed from the list of qualified reviewers if the reviewer (Ref: par. A11-.A14)</p>	

<p>egregious acts <sup>fn 16</sup> in the performance of a peer review, the committee should recommend to the board that the reviewer be prohibited from performing peer reviews in the future.</p>	<ul style="list-style-type: none"> <li>a. refuses to cooperate with the committee or board (for example, by not acknowledging or appealing a PDL within 30 days).</li> <li>b. fails to correct performance deficiencies or findings after a corrective action has been required and the reviewer has had sufficient time and opportunity to correct the deficiencies or findings.</li> <li>c. has committed an egregious act in the performance of a peer review. (See paragraph .A44 of section 200).</li> </ul> <p><b>200.36</b> If a reviewer fails to correct reviewer performance deficiencies after a corrective action has been required, refuses to cooperate with the committee or board (for example, by not signing the performance deficiency letter within 30 days), or has committed egregious acts in the performance of a peer review, the committee should recommend to the board that the reviewer be prohibited from performing peer reviews in the future. (Ref: par. .A41, .A44, and .A45)</p>	
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<sup>fn 16</sup> These terms are defined in the AICPA Peer Review Program Report Acceptance Body Handbook.

<p><b>.152</b> When a committee recommends that a reviewer should be prohibited from performing peer reviews in the future, the board shall appoint a hearing panel to consider, pursuant to fair procedures that it has established, whether the reviewer should be removed from the list of qualified reviewers or whether some other action should be taken. The board may appoint such a hearing panel without a committee recommendation. If the reviewer disagrees with the decision of the panel, he or she may appeal the decision by writing the board and explaining why he or she believes removal from the list of qualified reviewers is unwarranted. The board will take further action pursuant to fair procedures that it has established.</p>	<p><b>200.37</b>A reviewer should provide a written appeal to the board, within 30 days of receipt of the communication, explaining why the reviewer believes the deficiencies, actions, or decisions are unwarranted if the reviewer disagrees with any of the following: (Ref: par. .A43)</p> <ul style="list-style-type: none"> <li><i>a.</i> Performance deficiencies communicated on a performance deficiency letter</li> <li><i>b.</i> Corrective actions required by the committee or board</li> <li><i>c.</i> Decisions related to being deemed ineligible to perform reviews</li> <li><i>d.</i> Other actions imposed on the reviewer by the committee or board</li> </ul> <p><b>200.38</b> The corrective actions imposed by the committee or board should remain in effect on the reviewer during the appeals process and should remain in effect until the committee or board concludes otherwise.</p>	

<p><b>.153</b> If a reviewer has a corrective or other action(s) imposed on him or her by the committee or board, and the reviewer had previously been approved to perform a peer review that has either begun or has yet to begin, then the committee or board will need to consider whether the review should be performed by another reviewer, or if the review should be overseen by a member of the committee at the reviewer's expense, or other actions, if any (whether or not the reviewer has filed an appeal with the board). If the reviewer has completed the fieldwork on one or more peer reviews prior to the imposition of the corrective action, then the committee or board will consider what action, if any, to take regarding those peer reviews based on the facts and circumstances.</p>		<ul style="list-style-type: none"> <li>• The details of considerations are in the RAB Handbook and mapped there. Included in PR-C section 430, <i>Reviewer Monitoring and Performance</i>.</li> </ul>
<p><b>Effective Date</b></p>		
<p><b>.206</b> The effective date for these standards is for peer reviews commencing on or after January 1, 2009 and QCM reviews commencing on or after January 1, 2011.</p>		<p>Included at the beginning of each PR-C section</p> <p>See explanatory memo of the exposure draft for further explanation of "Removal of Guidance on Performing and Reporting on Reviews of Quality Control Materials"</p>

<p><b>Appendix A</b></p> <p><b>Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report)</b></p>	<p><b>Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews (as Referred to in a Peer Review Report)</b></p>	<p>Removed from the PR-Cs, as this information is a summary of information already contained throughout the requirements and related application and other explanatory material (i.e. duplicative).</p> <p>Reference in the report will remain accurate as the website and information contained within will be updated and monitored for necessary changes.</p> <p>See explanatory memo of the exposure draft for further explanation of “Removal of Guidance on Performing and Reporting on Reviews of Quality Control Materials”</p>
<p><b>.207</b> (Effective for Peer Reviews Commencing on or After January 1, 2009)</p> <p>1. Firms (and individuals) enrolled in the AICPA Peer Review Program are required to have a peer review, once every three years, of their accounting and auditing practice. An accounting and auditing practice for the purposes of these standards is defined as all</p>		

engagements performed under Statements on Auditing Standards (SASs); Statements on Standards for Accounting and Review Services (SSARs); Statements on Standards for Attestation Engagements (SSAEs); Government Auditing Standards (the Yellow Book) issued by the U.S. Government Accountability Office; and engagements performed under Public Company Accounting Oversight Board (PCAOB) standards. Engagements covered in the scope of the program are those included in the firm's accounting and auditing practice that are not subject to PCAOB permanent inspection. A firm is not required to enroll in the AICPA Peer Review Program if its only level of service is performing preparation engagements under SSARs, however, if it elects to enroll due to licensing or other requirements, it is required to have a peer review under these Standards. The peer review is conducted by an independent evaluator, known as a peer reviewer. The AICPA oversees the program, and the review is administered by an entity approved by the AICPA to perform that role.

2. The peer review helps to monitor a CPA firm's accounting and auditing practice (*practice monitoring*). The goal of the practice monitoring, and the program itself, is to promote and enhance quality in the accounting and auditing services provided by the CPA firms subject to these standards. This goal

serves the public interest and enhances the significance of AICPA membership and accounting and audit quality.

3. There are two types of peer reviews: System Reviews and Engagement Reviews. System Reviews focus on a firm's system of quality control and Engagement Reviews focus on work performed on particular selected engagements. Quality Control Materials (QCM) Reviews focus on the system of quality control of a provider of QCM to CPA firms. A further description of System, Engagement, and QCM Reviews, as well as a summary of the nature, objectives, scope, limitations of, and procedures performed on them, is provided in the following sections.

#### System Reviews

4. A System Review is a type of peer review that is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a CPA firm's system of quality control to perform accounting and auditing work. The system represents the policies and procedures that the CPA firm has designed, and is expected to follow, when performing its work. The peer reviewer's objective is to determine whether the system is designed to ensure conformity with professional standards and whether the firm is complying with its system appropriately.

5. Professional standards are literature, issued by various organizations, that contain the framework and rules that a CPA firm is expected to comply with when designing its system and when performing its work. Professional standards for design of a system of quality control include but are not limited to the Statements on Quality Control Standards (SQCSs) issued by the AICPA that pertain to leadership responsibilities for quality within the firm (the “tone at the top”); relevant ethical requirements (such as independence, integrity and objectivity); acceptance and continuance of client relationships and specific engagements; human resources; engagement performance; and monitoring.

6. To plan a System Review, a peer reviewer obtains an understanding of (1) the firm’s accounting and auditing practice, such as the industries of its clients, and (2) the design of the firm’s system, including its policies and procedures and how the firm checks itself that it is complying with them. The reviewer assesses the risk levels implicit within different aspects of the firm’s practice and its system. The reviewer obtains this understanding through inquiry of firm personnel and review of documentation on the system, such as firm manuals.

7. Based on the types of engagements firms perform, they may also have their practices reviewed or inspected on a periodic basis by

regulatory or governmental entities, including but not limited to the Department of Health and Human Service, the Department of Labor, and the PCAOB. The team captain obtains an understanding of those reviews or inspections, and he or she considers their impact on the nature and extent of the peer review procedures performed.

8. Based on the peer reviewer's planning procedures, the reviewer looks at a sample of the CPA firm's work, individually called engagements. The reviewer selects engagements for the period covered by the review from a cross section of the firm's practice with emphasis on higher risk engagements. The engagements selected must include those performed under *Government Auditing Standards*, audits of employee benefit plans, audits of depository institutions (with assets of \$500 million or greater), and examinations of service organizations (SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements) when applicable (these are known as *must select engagements*). The scope of a peer review only covers accounting and auditing engagements performed under SASs, SSARSs, SSAEs, Government Auditing Standards, and PCAOB standards and does not include the firm's engagements subject to PCAOB permanent inspection, nor does it include tax or consulting services. The reviewer will also look at administrative elements of the firm's practice to

test the elements listed previously from the SQCSs.

9. The reviewer examines engagement working paper files and reports, interviews selected firm personnel, reviews representations from the firm, and examines selected administrative and personnel files. The objectives of obtaining an understanding of the system and then testing the system forms the basis for the reviewer's conclusions in the peer review report.

10. When a CPA firm receives a report from the peer reviewer with a peer review rating of *pass*, the report means that the system is appropriately designed and being complied with by the CPA firm in all material respects. If a CPA firm receives a report with a peer review rating of *pass with deficiencies*, this means the system is designed and being complied with appropriately by the CPA firm in all material respects, except in certain situations that are explained in detail in the peer review report. When a firm receives a report with a peer review rating of *fail*, the peer reviewer has determined that the firm's system is not suitably designed or being complied with, and the reasons why are explained in detail in the report.

11. If a deficiency or significant deficiency included in the peer review report is associated with an engagement that was not performed and

reported on in conformity with applicable professional standards in all material respects (“nonconforming”) in a must select industry or practice area or is industry specific, the report will identify the industry or practice area. However, because the purpose of a System Review is to report on the firm’s system of quality control, the peer review report might not describe every engagement that was deemed nonconforming.

12. The firm is responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any. The firm’s response is evaluated to determine if it is appropriate, whether lack of response is indicative of other weaknesses in the firm’s system of quality control, or whether monitoring procedures are necessary to verify if the deficiencies and nonconforming engagements were remediated.

13. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A peer review is based on selective tests. It is directed at assessing whether the design of and compliance with the firm’s system provides the firm with reasonable, not absolute, assurance of conforming to applicable professional

standards. Consequently, it would not necessarily detect all weaknesses in the system or all instances of noncompliance with it. It does not provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated. Projection of any evaluation of a system to future periods is subject to the risk that the system may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Engagement Reviews

14. An Engagement Review is a type of peer review that is a study and appraisal by an independent evaluator(s), known as a peer reviewer, of a sample of a CPA firm's actual accounting work, including accounting reports issued and documentation prepared by the CPA firm, as well as other procedures that the firm performed.

15. By definition, CPA firms undergoing Engagement Reviews do not perform audits or other similar engagements but do perform other accounting work including reviews and compilations, which are a lower level of service than audits. The peer reviewer's objective is to evaluate whether the CPA firm's reports are issued and procedures performed appropriately in accordance with applicable professional standards. Therefore, the objective of an

Engagement Review is different from the objectives of a System Review, which is more system oriented and involves determining whether the system is designed in conformity with applicable professional standards and whether the firm is complying with its system appropriately.

16. Professional standards represent literature, issued by various organizations, that contain the framework and rules that a CPA firm is expected to follow when performing accounting work.

17. The reviewer looks at a sample of the CPA firm's work, individually called engagements. The scope of an Engagement Review only covers accounting engagements; it does not include tax or consulting services. An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant's report thereon, together with certain background information and representations from the firm and, except for certain compilation engagements, the documentation required by applicable professional standards.

18. When the CPA firm receives a report with a peer review rating of *pass*, the peer reviewer has concluded that nothing came to his or her attention that the CPA firm's work was not performed and reported on in conformity with applicable professional

standards in all material respects. A report with a peer review rating of *pass with deficiencies* is issued when the reviewer concludes that nothing came to his or her attention that the work was not performed and reported on in conformity with applicable professional standards in all material respects, except in certain situations that are explained in detail in the report. A report with a peer review rating of *fail* is issued when the reviewer concludes that as a result of the situations described in the report, the work was not performed or reported on in conformity with applicable professional standards in all material respects.

19. If a deficiency or significant deficiency is industry specific, the report will identify the industry.

20. The firm is responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

21. An Engagement Review does not provide the reviewer with a basis for expressing any assurance as to the firm's system of quality control for its accounting practice, and no opinion or any form of assurance is expressed on that system.

Quality Control Materials Reviews

22. An organization (hereinafter referred to as *provider*) may sell or otherwise distribute quality control materials (QCM or materials) that it has developed to CPA firms (hereinafter referred to as *user firms*). QCM may be all or part of a user firm's documentation of its system of quality control, and it may include manuals, guides, programs, checklists, practice aids (forms and questionnaires) and similar materials intended for use in conjunction with a user firm's accounting and auditing practice. User firms rely on QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials (as described in the preceding paragraphs).

23. A QCM review is a study and appraisal by an independent evaluator (known as a QCM reviewer) of a provider's materials, as well as the provider's system of quality control to develop and maintain the materials (hereinafter referred to as *provider's system*). The QCM reviewer's objective is to determine whether the provider's system is designed and complied with and whether the materials produced by the provider are appropriate so that user firms can rely on the materials. The scope of a QCM review only covers materials related to accounting and auditing engagements under U.S. professional standards. The scope does not

include SEC or PCAOB guidance, nor does it cover materials for tax or consulting services.

24. To plan a QCM review, a QCM reviewer obtains an understanding of (1) the provider's QCM, including the industries and professional standards that they cover, and (2) the design of the provider's system, including the provider's policies and procedures and how it ensures that they are being complied with. The QCM reviewer assesses the risk levels implicit within different aspects of the provider's system and materials. The QCM reviewer obtains this understanding through inquiry of provider personnel, review of documentation on the provider's system, and review of the materials.

25. Based on the planning procedures, the QCM reviewer looks at the provider's QCM, including the instructions, guidance, and methodology therein. The scope of a QCM review encompasses those materials which the provider elects to include in the QCM review report; QCM designed to aid user firms with tax or other non-attest services are outside of the scope of this type of review. The QCM reviewer will also look at the provider's system and will test elements including, but not limited to, requirements regarding the qualifications of authors and developers, procedures for ensuring that the QCM are current, procedures for reviewing the technical accuracy of the materials, and procedures for soliciting

feedback from users. The extent of a provider's policies and procedures and the manner in which they are implemented will depend upon a variety of factors, such as the size and organizational structure of the provider and the nature of the materials provided to users. Variance in individual performance and professional interpretation affects the degree of compliance with prescribed quality control policies and procedures. Therefore, adherence to all policies and procedures in every case may not be possible. The objectives of obtaining an understanding of the provider's system and the materials forms the basis for the QCM reviewer's conclusions in the QCM review report.

26. When a provider receives a QCM review report from an approved QCM reviewer with a review rating of *pass*, this means the provider's system is designed and being complied with and the materials produced by the provider are appropriate so that user firms can rely on the QCM to assist them in performing and reporting in conformity with the professional standards covered by the materials. If a provider receives a QCM review report with a review rating of *pass with deficiencies*, this means the provider's system is designed and being complied with and the materials produced by the provider are appropriate so that user firms can rely on the QCM to assist them in performing and

reporting in conformity with the professional standards covered by the materials, except in certain situations that are explained in detail in the review report. When a provider receives a report with a review rating of *fail*, the QCM reviewer has determined that the provider's system is not suitably designed or being complied and the materials produced by the provider are not appropriate, and the reasons why are explained in detail in the report.

27. The provider is responsible for evaluating actions to promptly remediate materials not deemed as reliable aids, when appropriate, and for remediating weaknesses in its system of quality control, if any. The provider's response is evaluated to determine if it is appropriate and whether lack of response is indicative of other weaknesses in the provider's system of quality control.

28. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A QCM review is based on the review of the provider's system and its materials. It is directed at assessing whether the provider's system is designed and complied with and whether the QCM produced by the provider are appropriate so that user firms have reasonable, not absolute, assurance that they can rely on the materials to assist them in performing and reporting in conformity with the professional standards covered by the

<p>materials. Consequently, a QCM review would not necessarily detect all weaknesses in the provider’s system, all instances of noncompliance with it, or all aspects of the materials that should not be relied upon. Projection of any evaluation of a system or the materials to future periods is subject to the risk that the system or materials may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.</p>		
<p><b>Appendix B</b></p>		
<p><b>Considerations and Illustrations of Firm Representations</b></p>	<p><b>Written Representations</b></p>	
<p><b>.208</b></p> <p>1. The team captain or review captain obtains written representations from management of the reviewed firm to describe matters significant to the peer review in order to assist in the planning and performance of and the reporting on the peer review.</p> <p>2. The written representations should be obtained for the entire firm and not for each individual engagement the firm performs. Firm management’s refusal to furnish written representations to the team captain or review</p>		<p>Refer to Exhibit A of PR-C section 310 and PR-C section 320 for illustrative representation letters for system reviews and engagement reviews, respectively.</p>

captain constitutes a failure to cooperate with the peer review program and the firm would be subject to fair procedures that could result in the firm's enrollment in the program being terminated (see interpretations). If termination occurs, it may result in an investigation of a possible violation by an appropriate regulatory, monitoring, and enforcement body.

3. On System Reviews, the written representations should be addressed to the team captain (for example, "To John Smith, CPA"). Because the team captain is concerned with events occurring during the peer review period and through the date of his or her peer review report that may require an adjustment to the report or other peer review documents, the representations should be dated the same date as the peer review report.

4. On Engagement Reviews, the written representations should be addressed to the review captain (for example, "To John Smith, CPA" or on committee-appointed review team reviews where appropriate, it may be addressed "To the Review Captain") and dated the same date as the peer review report.

5. The written representations should be signed by individual members of management whom the team captain, review captain, or the administering entity believes are responsible for and knowledgeable about, directly or through others in the firm, the matters covered in the

representations, the firm, and its system of quality control. Such members of management normally include the managing partner and partner in charge of the firm's system of quality control (this should not be a firm signature).

6. If a representation made by management is contradicted by other information obtained, the team captain or review captain should investigate the circumstances and consider the reliability of the representations made and any effect on the report.

7. The firm is required to make specific representations, as noted in the text that follows. The firm is not prohibited from making additional representations and may tailor the representation letter as it deems appropriate, as long as the minimum applicable representations are made to the team captain or review captain (see interpretations). The team captain or review captain may request additional representations based on the circumstances and nature of the peer review.

8. As of the date of the representation letter and for the peer review year, the firm should do the following:

*a.* Compliance with Rules and Regulations

- i.* Acknowledge responsibility for complying with the rules and regulations of state boards of

accountancy and other regulations

- ii. Confirm, to the best of its knowledge and belief, that there are no known situations in which the firm or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review

(1) If there are known situations of noncompliance, the confirmation should first summarize the situation(s) where management is aware that the firm or its personnel has not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies (including applicable firm and individual licensing requirements in each state in which it practices

for the year under review) and, if applicable, how the firm has or is addressing and rectifying situations of noncompliance (see interpretations). The confirmation should be written such that other than the summarized situation(s), to the best of its knowledge and belief, there are no known situations in which the firm or its personnel have not complied with the rules and regulations of state board(s) of accountancy or other regulatory bodies, including applicable firm and individual licensing requirements in each state in which it practices for the year under review.

*b.* Completeness of the Engagement Listing

- i. State the list of engagements provided to the reviewer:

<p>(1) Included all engagements with periods ending (report date for financial forecasts or projections and agreed upon procedures) during the year under review, regardless of whether issued</p> <p>(2) Included, but was not limited to, all engagements performed under <i>Government Auditing Standards</i>, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, examinations of service organizations (SOC 1 and SOC 2 engagements), as applicable</p> <p>ii. For System Reviews, where applicable, state that the firm performed the following must-select engagements for the period covered by the peer review and, to the best of their knowledge and belief, at least one of each type of must-select</p>		
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engagement that was performed was selected and reviewed by the peer reviewer: engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, audits of employee benefit plans, audits performed under FDICIA, examinations of service organizations (SOC 1 and SOC 2 engagements). If the reviewer selected an engagement under *Government Auditing Standards* (excluding engagements subject to the Single Audit Act) and also selected an engagement solely to evaluate the compliance audit under the Single Audit Act, the list of engagements should read as follows: “Engagements performed under *Government Auditing Standards*; compliance audit(s) under the Single Audit Act,…”

- iii. For Engagement Reviews, state that the firm does not perform engagements under the Statements on Auditing Standards (SASs) or *Government Auditing Standards*, examinations under the

Statements on Standards for Attestation Engagements (SSAEs), or engagements under the Public Company Accounting Oversight Board (PCAOB) Standards that are not subject to PCAOB permanent inspection

iv. Acknowledge that failure to properly include these engagements on the list could be deemed as failure to cooperate and may result in termination from the Peer Review Program and, if termination occurs, may result in an investigation of a possible violation by the appropriate regulatory, monitoring, and enforcement body

c. Firm Remediation of Nonconforming Engagements, if applicable

i. Confirm it will remediate nonconforming engagements as stated by the firm on the Matter For Further Consideration Form, Finding for Further Consideration Form, or Letter of Response, as applicable.

*d.* Communications From Regulatory, Monitoring, or Enforcement Bodies

- i. State that the firm has discussed significant issues from reports and communications (see interpretations) from regulatory, monitoring and enforcement bodies (see interpretations), with the team captain or review captain, if applicable
- ii. State that the firm has provided the team captain or review captain with any other information requested, including communications or summaries of communications from regulatory, monitoring, or enforcement bodies relating to allegations or investigations of deficiencies in the conduct of an accounting, audit, or attestation engagement performed and reported on by the firm, whether the matter relates to the firm or its personnel, within three years preceding the current peer review year-end.
- iii. Confirm, to the best of its knowledge and belief, that there are no known restrictions or limitations on the firm's or its

<p>personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end OR</p> <p>iv. Include a summary of the restrictions or limitations on the firm's or its personnel's ability to practice public accounting by regulatory, monitoring, or enforcement bodies within three years preceding the current peer review year-end.</p> <p>e. Quality Control Materials</p> <p>i. State that it understands the intended uses and limitations of the quality control materials it has developed or adopted.</p> <p>ii. For System Reviews, state that it has tailored and augmented the materials as appropriate such that the quality control materials encompass guidance which is sufficient to assist it in conforming with professional standards (including the Statements on Quality Control</p>		
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<p>Standards) applicable to its accounting and auditing practice.</p> <p>iii. For Engagement Reviews, state it has tailored and augmented the materials as appropriate such that the quality control materials encompass guidance which is sufficient to assist it in conforming with professional standards (including the Statements on Quality Control Standards) applicable to its accounting practice.</p> <p><i>f.</i> Other Representations</p> <p>i. Include other representations requested by the team captain or review captain based on the circumstances and nature of the peer review.</p>		
<p><b>Illustrations through Appendix C—T included in Application &amp; Other Explanatory Material of the clarified standards.</b></p>	<p><b>310.A26</b> The following illustrative letter includes written representations that are required by this PR-C section. The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the team captain.</p>	<p>Refer to Exhibit A in PR-C sections 310 and 320.</p>

	<p><b>320.A19</b> The following illustrative letter includes written representations that are required by this PR-C section. The firm may tailor the language in this illustration and refer to attachments to the letter as long as adequate representations pertaining to the matters previously discussed, as applicable, are included to the satisfaction of the review captain.</p>	
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