



National Association of State Boards of Accountancy

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December 21, 2021

AICPA Peer Review Board
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707-8110

Attn: Brad Coffey, Manager – AICPA Peer Review Program

Via e-mail: PR_expdraft@aicpa.org

Re: Exposure Draft: Proposed Changes to AICPA Standards for Performing and Reporting on Peer Reviews – Clarification of AICPA Standards for Performing and Reporting on Peer Reviews

Dear Members and Staff of the AICPA Peer Review Board:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the Proposed Changes to the AICPA Standards for Performing and Reporting on Peer Reviews (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Exposure Draft.

Request for Comment 1 – Removal of the Requirement for the Majority of Procedures in a System Review to be Performed at the Reviewed Firm's Office:

Please provide your views on the changes described. In addition, please provide your views about the advantages and disadvantages of performing some or all system review procedures remotely.

Different risk factors could drive whether or not the review should take place at the reviewed firm's office. It would be beneficial to enumerate risk factors to be considered as they have been elsewhere in the proposed standards. We believe that it is the peer reviewer's responsibility to

evaluate the risk factors and determine the most appropriate manner in which to conduct the review whether on-site, remote or a combination of both.

A noted disadvantage to conducting the review remotely is the impact on the effectiveness of the review. Just as in financial statement audits, when on-site, the interaction between the reviewer and the reviewed will be more effective, which often results in more timely completion. To have peer reviews completed with the results reported timely is in the public interest.

Request for Comment 2 – Change to the Requirements for Onsite Office Visits in System Reviews:

Please provide your views on the changes described. In addition, please provide your views on the advantages and disadvantages of visiting one or more offices of the reviewed firm.

As previously mentioned, we believe that it is the peer reviewer's responsibility to evaluate the risk factors and determine the most appropriate manner in which to conduct the review. The enumerated risk factors identified in .A13 and .A14 are helpful to the evaluation process; however, we believe that the risk factors to influence a reviewer's decision to visit or select engagements from a particular office in .A14 should focus primarily on the type of work being performed instead of the composition or demographics of the office locations.

Request for Comment 3 – Removal of the Requirement for Surprise Engagements in System Reviews:

Please provide your views on the changes described. In addition, please provide your views on specific peer review risks that may warrant selecting a surprise engagement.

We believe that professional judgement should be left to the peer reviewer as to whether a surprise engagement would be meaningful to the system review. We support the removal of the requirement for surprise engagements in system reviews only if appropriate risk factors have been developed and communicated, including risk factors regarding the consideration of lockdown features and electronic workpapers.

The guidance appears to place a high degree of reliance on the lockdown features of audit workpaper software. We note that, unlike other topic areas, there are no risk factors included for audit workpaper software. We recommend that such risk factors be included.

We offer two points of caution in this area and recommend that additional guidance for reviewers be considered. First, there still remain audit engagements that utilize manual workpapers. The workpapers for such engagements would clearly not be able to be locked down in the same manner as electronic workpapers. Guidance should be provided for storage and lockdown considerations for manual workpaper engagements. Second, there should be significant professional skepticism employed even when the lockdown features of electronic workpapers are represented as being

employed. Reviewers should satisfy themselves that such lockdown features exist and have been appropriately implemented.

Request for Comment 4 – Removal of the Term “Significant Deficiency” in Engagement Reviews:

Please provide your views on the changes described.

We support the removal of the term “significant deficiency” as it relates to engagement reviews.

Request for Comment 5 – Removal of the Requirement that Peer Review Documents for Single Audit Engagements be included in Materials for RAB Meetings:

Please provide your views on the changes described.

We believe that this is an appropriate change, although in adopting this policy, RABs should satisfy themselves as to technical competence of the designated technical reviewer in the area of Single Audits.

Request for Comment 6:

Are the requirements in the proposed peer review standards clear and understandable?

We believe the requirements in the proposed peer review standards are clear and understandable and will enhance the utility of the guidance for all participants in the peer review process. We do suggest that as future implementation guidance is developed, consideration be given to the use of electronic decision support technology to better enable users to locate guidance that they seek.

Request for Comment 7:

Is the application and other explanatory material helpful to support the application of the requirements?

We believe the application and other explanatory material is helpful to support the application of the requirements.

Request for Comment 8:

Are the definitions easy to understand and apply? In addition, please provide your views about whether the master glossary is helpful to all users of the standards (refer to PR-C section 100).

We believe the definitions are easy to understand and apply. We believe the master glossary is helpful to all users of the standards.

Request for Comment 9:

Do the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews? Do you think an engagement letter should be required for all peer reviews?

We believe the requirements for commencing peer reviews appropriately reflect considerations for both system and engagement reviews.

We believe that an engagement letter should be required for all peer reviews. It would be helpful to provide example templates within the standards for guidance.

Request for Comment 10:

Is the application and other explanatory material appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating (refer to paragraphs .17-.19 of PR-C section 400)?

We believe that the application and other explanatory material is appropriate and understandable regarding committee members who are not team captain-qualified but practicing with a firm that has received a non-pass peer review report rating.

Request for Comment – Effective Date

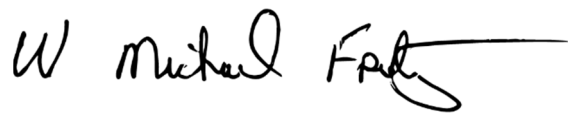
Please provide your views on the proposed effective date. If you are not in support of the proposed date, please provide reasons for your response. In addition, what are your views on the types of training and resources that would be helpful for stakeholders to begin using the proposed standards?

We have no basis to comment on the amount of time peer reviewers would need to prepare; however, we recommend the Board allow ample time for reviewers to be able to implement the proposed standards correctly. Training and resources will be critical to effective implementation.

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We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Handwritten signature of W. Michael Fritz in black ink.

W. Michael Fritz
NASBA Chair

Handwritten signature of Ken L. Bishop in black ink.

Ken L. Bishop
NASBA President and CEO