

THE PPC ACCOUNTING AND AUDITING UPDATE

MARCH 2022, VOLUME 31, NO. 3

Updated Peer Review Engagement Checklists



The AICPA's Peer Review Board issued updated AICPA engagement checklists and one new engagement checklist. Peer reviewers will begin using the updated engagement checklists for peer reviews commencing on or after November 1, 2021. All these checklists may include enhancements to FASB ASC 606 related questions, if applicable. In addition, all these checklists are for use in system reviews. Some may also be used for engagement reviews. Those that can be used for both will be noted as such in the following listing of updated peer review engagement checklists. The updated or new peer review engagement checklists are as follows and are listed by Peer Review Program (PRP) section number.

- **20,200—General Compilation Checklist for SSARS Engagements**—updated through SSARS 25 and FASB ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*. (Use for system reviews or engagement reviews.)
- **20,250—General Preparation Checklist for SSARS Engagements**—updated through SSARS 25 and FASB ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*. (Use for system reviews or engagement reviews.)
- **20,300—General Review Checklist for SSARS Engagements**—updated through SSARS 25 and FASB ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*. (Use for system reviews or engagement reviews.)
- **20,400—General Audit Checklist**—updated through SAS 141 (also includes certain pre-SAS 134 questions) and FASB ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*.
- **20,600—Not-for-Profit Audit Checklist**—updated through SAS 141 (also includes certain pre-SAS 134 questions also) and FASB ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*.
- **20,700—Employee Benefit Plan Audit Checklist**—updated through SAS 141 (includes certain pre-SAS 134 questions) and FASB ASU 2021-05,

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Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments.

- **21,200—PCAOB Audit Checklist**—updated through PCAOB AS 2501, AS 1105, AS 1201, and AS 1210, and FASB ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments.*
- **21,300 (New)—Supplemental Checklist for Review of Agreed-Upon Procedures Related to the SIPC Assessment Reconciliation for Broker Dealers**—This checklist should be used by reviewers of agreed-upon procedures performed under PCAOB standards related to the SIPC assessment reconciliation for broker dealers. It should be completed with the Agreed-upon Procedures Engagement Checklist [For Engagements Performed in Accordance with SSAE 18 (PRP 20,900)] or Agreed-upon Procedures Engagement Checklist [For Engagements Performed in Accordance with SSAE 19 (PRP 20,900A)].
- **22,080—Supplemental Checklist for Review of Audits of For-Profit Housing and Urban Development Engagements**—updated through SAS 141 (includes certain pre-SAS 134 questions).
- **22,300—Financial Reporting and Disclosure Checklist**—updated through ASU 2021-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments.* (Use for system reviews or engagement reviews.)

The new and revised checklists are available to AICPA members on the AICPA Peer Review Program webpages at us.aicpa.org/interestareas/peerreview/resources/peerreviewprogrammanual.html and to subscribers in the Online Professional Library.

Firms that subscribe to the Peer Review Program Manual (PRPM) can access the most current engagement checklists on Checkpoint.

Although the checklists are designed for use by peer reviewers, they can be helpful to firms when performing their inspections/reviews as part of their monitoring process. By using the forms that peer reviewers use, firms can better understand what to expect during their next peer review.



Independence Update

Accountants should be aware of the following changes to independence interpretations and guidance.

Delayed Effective Date of Revised Information System Services Interpretation

The AICPA's Professional Ethics Executive Committee (PEEC) issued revised interpretation, *Information System Services* (ET 1.295.145), in June 2019 to address nonattest services relating to attest clients' information systems and networks that can impair independence. The interpretation addresses design and development, implementation (installation, customization, integration, interfaces, data configuration, and translation), and maintenance, support, and monitoring.

The original effective date was January 1, 2021, but, due to the COVID-19 pandemic, was deferred to January 1, 2022. At PEEC's November 2021 meeting, the effective date was delayed an additional year to January 1, 2023, with early implementation allowed. The additional delay is intended to provide time for education about the interpretation to address any misunderstandings.

In December 2021, the PEEC's Information System Services Task Force issued a nonauthoritative practice aid, *Independence considerations for information system services*. It was developed to assist practitioners with application of the revised interpretation to ensure they do not violate independence rules when they provide information systems services to their attest clients.

Practical Consideration:

The practice aid is available at <https://us.aicpa.org/content/dam/aicpa/interestareas/professionalethics/community/exposedrafts/downloadabledocuments/2021/isspracticeaid.pdf>.

Recently Effective Revised State and Local Government Client Affiliates Interpretation

In June 2019, PEEC issued a revised interpretation, *State and Local Government Client Affiliates* (formerly *Entities Included in State and Local Government Financial Statements*), which revises the guidance in ET 1.224.020. The revised interpretation increases the requirements for members to remain independent concerning affiliated entities and defines affiliated entities for purposes of independence. The revised interpretation extends

independence requirements to certain instances when the member makes reference to another auditor's report, as well as to certain circumstances where material related entities are excluded from the financial statements but are required to be included by the financial reporting framework. The member is also required to remain independent of investments that the attest client controls and material investments over which the attest client has significant influence.

The revised interpretation was originally effective for years beginning after December 15, 2020, but, due to the COVID-19 pandemic, the interpretation's effective date was delayed one year to years beginning after December 15, 2021.

To assist firms in understanding and applying the new interpretation, PEEC issued the following implementation tools, which are available for free on the AICPA's website:

- Implementation Guide: State and Local Government Client Affiliates.
- Interactive SLG Affiliate Matrix.
- SLG Affiliate Calculator: Entities.
- SLG Affiliate Calculator: Investments.

Recently Effective Staff Augmentation Arrangements Interpretation

In March 2021, the PEEC issued an interpretation, *Staff Augmentation Arrangements* (ET 1.275.007) (under the "Current Employment or Association with an Attest Client" subtopic of the Independence Rule), which is effective November 30, 2021.

The interpretation states staff augmentation arrangements will impair independence unless the following safeguards are in place:

- The arrangement is performed because of an unexpected situation that would create significant hardship if the attest client had to make other arrangements.
- The arrangement is not expected to reoccur.
- The arrangement is performed only for a short time (not more than 30 days).
- The augmented staff does not participate in or influence an attest engagement that covers a period including the augmentation arrangement.
- The augmented staff only performs activities not prohibited under the *Independence Rule for Nonattest Services* (ET 1.295).
- The member must be satisfied the client's management designates individuals with suitable

SKE (skill, knowledge and/or experience) to be responsible for the scope, oversight, and adequacy of the augmented staff's activities and findings.

In conjunction with issuing the *Staff Augmentation Arrangements* interpretation, PEEC also approved revisions to the following interpretations:

- *Agreed-Upon Procedures Engagements Performed in Accordance With SSAEs* (ET 1.297.020), which allows staff augmentation arrangements if the services provided are unrelated to the agreed-upon procedures engagement's specific subject matter.
- *Client Affiliates* (ET 1.224.010), which permits staff augmentation arrangements with certain affiliates.
- *Scope and Applicability of Nonattest Services* (ET 1.295.010), which refers to the guidance in the new interpretation when such an arrangement exists.

In addition, in September 2021, five new Q&As were added to the AICPA's *General Ethics* Frequently Asked Questions (FAQs) to address staff augmentation interpretation implementation questions. These include—

- the difference between a staff augmentation arrangement and a nonattest services engagement;
- clarifications about unexpected situations that create significant hardship for attest clients; and
- applying the November 30, 2021, effective date to new and existing arrangements in order to maintain independence.

New Hosting Services FAQs

In October 2021, three new Q&As were added to the *Nonattest Services* FAQs relating to hosting services. These address adding language to engagement letters for attest or nonattest services to clarify that a member's firm cannot accept responsibility for maintaining attest clients' data and records, and to explain the actions a member firm is taking to avoid inadvertently providing hosting services when using a portal to provide attest clients with member-prepared records or member work products or to exchange information with attest clients.

Practical Consideration:

The AICPA's *Nonattest Services* Frequently Asked Questions document is available at <https://us.aicpa.org/content/dam/aicpa/interestareas/professionaethics/resources/tools/downloadabledocuments/nonattestservicesfaqs.pdf>.

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New Affiliates FAQ

In January 2022, a new Q&A was added to the *General Ethics* FAQs that indicates the definition of *affiliate* and the interpretation *Client Affiliates* (ET 1.224.010), should not be applied to individuals associated with a financial statement attest client. However, threats to the member's independence could be created and the member would need to evaluate them using the *Conceptual Framework for Independence* (ET 1.201.010) if the member knows or has reason to believe an individual has a relationship with the financial statement attest client that meet any of these criteria:

- the individual controls the client and the client is material to the individual;
- the individual has a direct financial interest in the

client, has significant influence over the client, and the client is material to the individual; or

- the individual controls the client and sister entity of the client and the client and sister entity are each material to the individual.

Practical Consideration:

The AICPA's *General Ethics* Frequently Asked Questions document is available at <https://us.aicpa.org/content/dam/aicpa/interestareas/professionalethics/resources/tools/downloadabledocuments/ethics-general-faqs.pdf>.

