



September 13, 2019

Via electronic mail – Mike.Glynn@aicpa-cima.com

Mike Glynn

AICPA Accounting & Review Services Committee (ARSC)

Re: PROPOSED STATEMENTS ON STANDARDS FOR ACCOUNTING & REVIEW SERVICES – Revisions to SSAR NO. 21

The members of the New Jersey Society of Certified Public Accountants (NJCPA) Accounting and Auditing Standards Interest Group (the Group) appreciate the chance to comment on the proposed statement on standards for accounting and review services referred to above. The NJCPA has a membership of over 15,000 CPAs and prospective CPAs from public practice and private industry. The Group was formed to address technical topics affecting a wide range of reporting entities. The members have reviewed the proposed standards and worked together to prepare this comment letter to the Accounting & Review Services Committee (the ARSC). The following comments are based on the views of the Group and may not reflect the opinions of all NJCPA members.

The ARSC has proposed changes to the SSARS No. 21 which would amend AR-C sections 60, 70, 80 and 90 to further converge with International Standard on Review Engagements (ISRE 2400 (Revised)) to facilitate the accountant's ability to perform and report on engagements in accordance with both sets of standards. The Group agrees with some of the proposed changes but is not in agreement with other proposed changes as further explained in the responses to the questions noted below.

The Group appreciates the ARSC's efforts in drafting this proposal.

Request for Comment 1 (page 6)

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

RESPONSE

The Group believes that the proposed standards are understandable and the application guidance is helpful in applying the new proposed requirements. As to the specifics of the proposed changes, the Group believes that informing management of the reasons for the withdrawal should not be a requirement but should remain as an option or best practice. The Group believes that one of the primary reasons the accountant would resign is for a legal or ethical issue, and the accountant would not want to explicitly state those reasons due to malpractice or other concerns.

While trying to determine if the application guidance is helpful, the Group summarized the requirements of Proposed Revised AR-C Section 70, paragraph A.14 as follows –



“The Accountant should ensure a statement is included on each pageindicating ...no assurance ...is provided. If the accountant is unable to include a statement... the accountant should -

- a. issue a disclaimer that makes it clear no assurance is provided on the financial statements
- b. perform a compilation engagement... or
- c. withdraw.....after consulting with legal counsel.

If this is correct, the Group believes that if the accountant cannot comply with A.14a, then A.14b may not be a suitable option.

The Group also summarized Paragraph A.14 and the Explanatory Material of .A12 as follows -

A.14 - “The accountant should ensure...a statement is included on each page of the financial statements indicating at a minimum...’ No Assurance is Provided’

.A12 - “The statement on each page of the financial statements... is intended to avoid a misunderstanding on the part of users with respect to the accountants’ involvement with the financial statements is at managements’ discretion....”

Does this put the disclosure in managements’ hands? If so, why should the accountant be required to explain to the client why they want to withdraw from the engagement?

The Group believes further guidance is needed.

Request for Comment 2 (page 8)

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

RESPONSE

The Group agrees with the proposed definition of limited assurance, however the Group felt the phrasing should be modified to be less confusing by deleting the comparison to an audit engagement’s level of risk.

The Group believes that the definition of limited assurance written in the Requirements is confusing and needs to be read several times to understand it. The Group believes this is due to using “greater than” in the description.

The Group believes it is not necessary to refer to an audit in a description of Limited Assurance. When audit procedures are explained no comparison to review procedures are made.

The Group agrees with the Explanatory Material in .90.A5.

Request for Comment 3 (page 8)

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



RESPONSE

The Group agrees with the proposed implementation of an explicit requirement for the accountant to plan and perform the review with professional skepticism. Professional skepticism is necessary to critically assess review evidence.

The Group believes the application guidance of an explicit requirement for professional skepticism in proposed revision 90.11 is helpful.

Request for Comment 4 (page 9)

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

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

RESPONSE

Most accountants determine materiality during their review engagements, however, having this requirement explicitly stated in the standards would provide for consistency among firms in performing these engagements.

The Group does not disagree or agree with the proposed explicit requirement to determine materiality but does believe the application guidance is helpful.

Request for Comment 5 (page10)

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

RESPONSE

The Group agrees with the proposed additional required inquiries of members of management who have responsibility for the financial and accounting matters concerning the financial statements

The Group believes the additional required inquiries will be helpful in complying with the proposed changes mentioned above in Comments 3 and 4.

Request for Comment 6 (page 10)

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

RESPONSE

The Group agrees with the proposed additional requirement for the accountant in a review engagement to remain alert for arrangements or information that may indicate the existence of related party relationships or transactions that were not previously identified or disclosed to the accountant. This is consistent with the requirement to consider plausible relationships among both financial and relevant, nonfinancial information which is already a requirement in a review engagement.



The Group believes the proposed additional requirements about related parties will be helpful in complying with proposed changes mentioned above in Comments 3, 4 and 5.

Request for Comment 7 (page 11)

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

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

RESPONSE

The Group agrees with the proposal to permit the accountant to express an adverse conclusion for an engagement performed in accordance with AR-C section 90. However, with the availability of an adverse conclusion in a review engagement, the Group would appreciate additional guidance to understand if an adverse conclusion report could be issued with respect to the Explanatory Material in item A98, similar to an audit report with a qualification or disclaimer of opinion in an engagement with a scope limitation.

Request for Comment 8 (page 11)

Please provide your views on the proposed additional required documentation in a review of financial statements.

RESPONSE

The Group agrees with the proposal to require the accountant to document information that was inconsistent with the accountant's overall findings on the financial statements and other significant matters affecting the financial statements and how the inconsistency was addressed.

Request for Comment 9 (page 12)

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

RESPONSE

The Group is supportive of the effective date of June 15, 2021 as this would allow for sufficient time for accountants to become familiar with the new standards as well as third party practice aids to be available. However, in order to ensure consistency among financial statements issued under the proposed standard, early implementation should not be permitted. Having accountants provide equivalent services under different sets of standards will lead to confusion and uncertainty among users of the financial statements.



The Group appreciates the ARSC for requesting our professional views on the Proposed SSARS. The Group would like to thank the ARSC for taking the time to read this comment letter submitted on behalf of the members of the New Jersey Society of Certified Public Accountants Accounting and Auditing Standards Interest Group.

Respectfully submitted,

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