

Performing System Reviews at a Location Other Than the Reviewed Firm's Office - *Peer Review Program Manual (PRPM) Section 2000*

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Question—Paragraph .08 of the standards states that the majority of the procedures in a System Review should be performed at the reviewed firm's office. What criteria have been established by the board for procedures to be performed at a location other than the reviewed firm's office?

Interpretation—If the review can reasonably be performed at the reviewed firm's office, it should be. Although certain planning procedures may be performed at the peer reviewer's office, it is expected that a majority of the peer review procedures, including the review of engagements, testing of functional areas, interviews, and concluding procedures should be performed at the reviewed firm's office.

However, it is recognized that there are some situations that make an on-site peer review cost prohibitive or extremely difficult to arrange, or both. In these situations, if the firm and reviewer mutually agree on the appropriateness and efficiency of an approach to the peer review such that it can be performed at a location other than the reviewed firm's office, then the reviewer can request the administering entity's approval to perform the review at a location other than the reviewed firm's office. This request should be made prior to the commencement of fieldwork, and the firm and reviewer should be prepared to respond to the administering entity's inquiries about various factors that could affect their determination. These factors, which are not mutually exclusive and will be considered judgmentally, include but are not limited to

- the availability of peer reviewers qualified to review the firm, including whether they have the experience in the industries and related levels of service for which the firm practices, whether they are independent of the firm and not, for instance, competitors within the same close geographic area, and whether the firm is reasonably accessible to those reviewers.
- whether the review conducted at the reviewer's office or another agreed-upon location can still achieve the objectives of a System Review.
- whether the results are expected to be the same as they would be if the peer review was performed at the reviewed firm's office.
- the size of the reviewed firm, including the number of personnel and where they perform their work (for instance, whether they work solely at clients' offices and the firm does not have its own office).
- the number of engagements covered by the Statements on Auditing Standards (SASs), *Government Auditing Standards*, examinations under the Statements on Standards for Attestation Engagements (SSAEs), or engagements performed pursuant to the standards of the PCAOB.
- the ability of the reviewed firm and the peer reviewer to hold one or more effective meetings by telephone to discuss the firm's system of quality control, perform inquiries and interviews necessary to perform functional testing, discuss "No" answers on engagement checklists, the reviewer's conclusions on the peer review, and any recommended corrective actions.

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- the prior peer review results of the firm, including whether the firm received a report with a peer review rating of *pass with deficiencies* or *fail* on its last System or Engagement Review, or if it is the firm's first System Review.
- whether the firm is able to effectively comply with the reviewer's requests for materials to be sent to the reviewer prior to the review (except as noted in the following list). Those requests should include, in addition to materials outlined in section 4100, *Instructions to Firms Having a System Review*, the following materials:
 - a. All documentation related to the resolution of independence questions (1) identified during the year under review with respect to any audit or accounting client or (2) related to any of the audit or accounting clients selected for review, no matter when the question was identified if the matter still exists during the review period
 - b. The most recent independence confirmations received from other firms of CPAs engaged to perform segments of engagements on which the firm acted as principal auditor or accountant
 - c. The most recent representations received from the sole practitioner concerning his or her conformity with applicable independence requirements
 - d. A written representation, dated the same as the peer review report, as described in paragraph .05(f) and appendix B, "Considerations and Illustrations of Firm Representations," of the standards
 - e. Documentation, if any, of consultations with outside parties during the year under review in connection with audit or accounting services provided to any client
 - f. A list of relevant technical publications used as research materials, as referred to in the quality control policies and procedures questionnaire
 - g. A list of audit and accounting materials, if any, identified in response to the questions in the "Engagement Performance" section of the quality control policies and procedures questionnaire
 - h. Continuing professional education (CPE) records sufficient to demonstrate compliance with state, AICPA, and other regulatory CPE requirements
 - i. The relevant accounting and auditing documentation and reports on the engagements selected for review
 - j. Documentation of the firm's monitoring results for each year since the last peer review or enrollment in the program
 - k. Any other evidential matter requested by the reviewer

The reviewed firm should understand that in the event that matters are noted during the review of selected engagements, the scope of the review may have to be expanded before the review can be concluded.