

NJCPA

AE Annual Report on Peer Review Activities

Date Issued: April 1, 2024

I. Administering Entity Oversight Process and Procedures

The NJCPA Peer Review Executive Committee (PREC) has created a subcommittee, the Oversight Subcommittee, to assume final responsibility for the selection of reviewers to whom oversight will be assigned, and to monitor the results of oversights conducted.

Reviewers and/or firms are selected each year for oversight by a PREC member and/or, through suggestions from the AE staff and technical reviewer. The goal is to ensure that at least 2% (or the percentage prescribed by the AICPA) of the peer reviews administered by the NJCPA are subjected to oversight each year and completed in accordance with AICPA oversight standards. The selection includes peer reviews from both system and engagement reviews and may include reviews of firms that fall under the must select standards of the Peer Review Program Manual. Both the team captain/reviewer and the reviewed firm are notified in advance of the planned oversight.

Selection of reviewers/firms for oversight is based on objective criteria such as the following:

- Firms who have only recently begun performing engagements subject to peer review
- Firms who have only recently begun performing work in high public interest areas such as Single Audit and ERISA engagements
- Firms who may have been referred to the AICPA for certain violations.
- Reviewers who have received technical reviewer or RAB feedback relevant to significant issues which indicate a lack of understanding of program requirements.
- Reviewers who frequently submit pass reports without comments.
- Reviewers who conduct a significant number of reviews of firms with audits in high- risk industries (governmental, ERISA, banking, etc.) or who conduct a significant volume of reviews.
- Reviewers who also serve as members of the NJCPAs Peer Review Executive Committee.
- Reviewers who have only recently begun performing reviews and appear to require some assistance; and
- Reviewers who are selected on a random basis.

On-site oversights of system reviews are primarily conducted on the day of the exit conference at the reviewed firm's office, although some interaction in the planning stage of the peer review between the team captain and individual designated to perform the oversight is necessary. On-site oversights allow for the overseighter to get a better feel for the planning and scope of the review as well as the quality of the firm's quality control system. The overseighter reviews selected workpapers created by the review team with particular attention paid to the scope, conduct, and results of the peer review. The overseighter also attends the exit conference.

Off-site oversights are generally performed after a peer review is completed, but before the report has been released to the reviewed firm. Alternatively, such oversights may be conducted after submission of the report and selected engagement work papers to the NJCPA at the conclusion of the peer review. The reviewer is instructed to forward all working papers, including the financial statements and reports that were reviewed, to the NJCPA.

For both on-site and off-site oversights, the overseighter (who is almost always a member of the PREC) prepares and submits a written report on the results of the oversight. The overseighter may be asked to make a recommendation concerning the necessity for further oversight of the team captain/reviewer. The report is submitted to a Report Acceptance Body (RAB) for review, along with the workpapers from the peer review for acceptance.

For the period of January 1, 2023, through December 31, 2023, the NJCPA completed six oversights, which is the number required by the AICPA for 2023. Four of the six were engagement review oversights, and two were system review oversights. Four oversights required the addition of MFC/FFC's and two were accepted as presented. Six different PREC members completed the oversights.

II Summary of Peer Review Program

1) **Number of firms enrolled in 2023.** – Approximately 900 firms were enrolled throughout the 2023 calendar year. Enrollment is in accordance with New Jersey State Board of Accountancy and AICPA Peer Review Program regulations and standards.

2) Results of Peer Reviews Accepted During the Year 2023

a) Results by Type of Peer Review and Report Issued

	AICPA Peer Review Program	
System Reviews		%
Pass	89	84.0
Pass with deficiency(ies)	9	8.5
Fail	8	7.5
Total	106	100
Engagement Reviews		%
Pass	113	93.4
Pass with deficiency(ies)	2	1.6
Fail	6	5.0
Total	121	100

b) Type and Number of Reasons for Report Deficiencies for System Reviews

	AICPA Peer Review Program
Human resources	7
Engagement performance	14
Monitoring	6
Total	27

c) Number of Engagements Not Performed or Reported on in Conformity with Professional Standards in All Material Respects (Nonconforming engagements)

Engagement Type	AICPA Peer Review Program		
	Number of Engagements		%
	Reviewed	Nonconforming engagements	
Audits:			
Single Audit	37	5	13.5
Government Auditing Standards – All Other	55	5	9.1
ERISA	54	16	29.6
Other	120	21	17.5
Reviews	149	10	6.7
Compilations and Preparations:			
With Disclosures	105	5	4.8
Omit Disclosures	180	4	2.2
SOC Reports	6	1	16.7
Agreed Upon Procedures	26	1	3.8
Other SSAEs	1	0	0
Totals	733	68	9.3

d) Summary of Required Follow-up Actions (includes corrective actions and implementation plans)

Type of Follow-Up Action	AICPA Peer Review Program
Agree to take/submit proof of certain CPE	54
Submit to review of nonconforming engagements	9
Agree to pre-issuance reviews	17
Agree to post-issuance reviews	6
Agree to review of remedial actions	4
Submit monitoring or inspection report to Team Captain or Peer Review Committee	1
Submit evidence of proper firm licensure	8
Firm has represented in writing they no longer perform or are engaged to perform any engagements subject to peer review	1
Agree to join an Audit Quality Center	2
Other	1
Total	103

III. Oversight Process

Oversight Results

a) Peer Reviews

AICPA Peer Review Program

Type of Peer Review	Must Select Engagement GAGAS, ERISA,FDICIA, SOC	Total Oversights
System	1ERISA and 1 Single Audit	2
Engagement	N/A	4

b) Oversight Performed on the AE

The results of our most recent oversight performed by the AICPA Oversight Task Force, performed in 2022, and which covers only the AICPA Peer Review Program, are available on the [AICPA's website](#).