

February 2015 Peer Review Update

This February 2015 Peer Review Update contains the Peer Review Alert 15-01 and the February 2015 Reviewer Focus. Click a link below to go directly to the article.

Peer Review Alert 15-01

- [Preparation Services Exposure Draft](#)
- [Revision to Peer Review Guidance for Peer Reviewer Performance, Disagreements and Qualifications](#)
- [Enhancing Audit Quality Initiative – Emerging Industries and Risk Areas](#)

February 2015 Reviewer Focus

- [Additional Information for the Review of Engagements Subject to SSARS No. 21](#)

Preparation Services Exposure Draft

On November 18, 2014, the Peer Review Board (PRB) issued an exposure draft, which proposed that firms that only perform preparation engagements under AR-C Section 70 - Preparation of Financial Statements (issued as part of Statement on Standards for Accounting and Review Services (SSARS) No. 21, *Statement on Standards for Accounting and Review Services: Clarification and Recodification*) would not be required to enroll in the AICPA peer review program (Program). However, it also proposed that a firm's preparation engagements would be included in the scope of a peer review when the firm either elects to enroll in the program (e.g. to comply with licensing or other requirements) or is already enrolled due to other engagements it performs. This proposal was issued in order to address the effect of these engagements on the scope of the Program.

The PRB considered comments raised by the peer review community about the proposal and elected to adopt the proposed guidance changes. The changes are effective for peer reviews commencing on or after February 1, 2015.

Revision to Peer Review Guidance for Peer Reviewer Performance, Disagreements and Qualifications

On November 18, 2014, the Peer Review Board (PRB) issued the [Peer Reviewer Performance, Disagreements and Qualifications Exposure Draft](#) proposing revisions to Standards and related interpretations designed to expedite remediation and removal of poor performing reviewers, improve consistency in the handling of reviewer performance matters and enhance reviewer qualifications and training requirements for reviewers of must-select engagements.

The PRB considered the feedback received during the comment period ended January 2, 2015. The PRB adopted the proposed guidance presented at the January 27, 2015 PRB meeting. The change is effective for peer reviews commencing on or after May 1, 2016.

Enhancing Audit Quality Initiative – Emerging Industries and Risk Areas

The Emerging Industries and Risk Areas task force has made significant strides toward raising the audit quality bar through focusing firms and peer reviewers on new industries, industries with new or rising risks, audit areas of increased risk or areas that have shown to have increased inspection matters in the past. This is an integral part of an AICPA-wide approach of enhanced materials, targeted training and robust peer reviews to enhance audit quality.

In May 2014, the Peer Review Board (PRB) approved a partial implementation of the Emerging Industries and Risk Areas Initiative until responses to the Enhancing Quality Initiative Concept Paper (Concept Paper) were analyzed. While the formal program is finalized, the following additional proposed emerging industries and risk areas to be incorporated into this approach are as follows:

- Single audit
- Crowdfunding

This initiative will encompass the following outreach plan:

- Communication – This peer review alert designed to communicate the areas of emphasis to members, firms, and reviewers followed by an AICPA-wide focus on training of firms and peer reviewers (see training section below). Peer review courses will be tailored to include the upcoming focus areas so that reviewers are knowledgeable about the areas expected to be inspected. Further collaboration with internal AICPA teams, such as audit quality centers and others, will be conducted to ensure that a uniform message about the focus on the identified emerging industries and risk areas is being delivered during presentations.
- Training – Collaboration with the internal teams that direct the development and production of member learning and competency materials (publications, courses, and events) to ensure sufficient resources and opportunities in the emerging industries and risk areas for members, firms, and reviewers are available.
- Emphasis – Peer review materials and checklists will be developed and tailored to address the emerging industries and risk areas, fostering a more robust review in these areas.
- Examples – Peer review conference cases will be developed to highlight the focus areas.

Further details related to the emerging industries and risk areas proposed for the 2016 peer review season will be announced via upcoming Peer Review Alerts.

Reviewer Focus

Welcome to the February 2015 edition of ***Reviewer Focus***. We designed this communication to focus your attention on current issues to assist you in more effectively performing your peer reviews and enhancing the quality of the work performed by your peer review clients. The information contained herein has ***not*** been approved by the AICPA Peer Review Board and thus does not constitute other guidance as defined in the *AICPA Standards for Performing and Reporting on Peer Reviews*.

This edition of Reviewer Focus contains one article:

1. [Additional Information for the Review of Engagements Subject to SSARS No. 21](#)

Additional Information for the Review of Engagements Subject to SSARS No. 21

On October 23, 2014 the AICPA's Accounting and Review Services Committee (ARSC) issued Statement on Standards for Accounting and Review (SSARS) No. 21. SSARS No. 21 represents the efforts of the ARSC to clarify and revise the existing standards as a result of ARSC Clarity Project. In addition to clarifying and revising pre-existing sections AR Section 80, for compilation of financial statement engagements, and AR Section 90, for review of financial statement engagements, the recently issued standards include Section 70, *Preparation of Financial Statements*, which applies when the accountant is engaged to prepare financial statements but is not engaged to perform an audit, review, or compilation on those financial statements. This new section was created to create a bright line between accounting (preparation) and reporting (compilation) services.

SSARS No. 21 is effective for compilation, review or preparation of financial statements for periods ending on or after December 15, 2015. However, early implementation is permitted. As a result of SSARS No. 21, the Peer Review Board (PRB) voted to modify existing peer review standards to specifically address how preparation engagements are to be treated with respect to a peer review. **Peer reviewers should review the changes to existing guidance in PRP 1000.07, 1000.104 and 1000.108 to see how the peer review standards have been revised to address the issuance of SSARS No. 21.** The exposure draft containing these guidance changes was issued on November 18, 2014 and the guidance changes were approved by the PRB on January 27, 2015 with minor modifications. The revisions to the peer review standards included a provision that would allow firms that only perform preparation engagements to not enroll in the Peer Review Program (Program). Additionally, the revisions create guidelines for selecting preparation engagements in an Engagement Review. Preparation engagements should only be selected in an Engagement Review if (1) a firm performs no other engagements that contain disclosures other than a preparation engagement, (2) a firm performs no other engagements that omit disclosures other than a preparation engagement, (3) an individual responsible for the performance of engagements only performs preparation engagements or (4) the review captain needs to select preparation engagement(s) in order to be able to select two engagements. The revisions to the peer review standards are effective for peer reviews commencing on or after February 1, 2015.

Additional checklists and questions have been created to address the new preparation engagements as well as any changes to the requirements for compilation and review engagements. This includes the creation of engagement checklists for reviews and compilations of financial statements performed under SSARS No. 21. Additionally, an engagement checklist was created for preparation engagements performed under SSARS No. 21. The checklists will

be incorporated into the April release of the Peer Review Program Manual (Manual). In the meantime, the checklists and updated forms will be available upon request.

Other administrative forms, such as the enrollment form and the background form, have also been updated for SSARS No. 21. However, these forms will not be readily available before the effective date of the changes to the peer review standards, but will be available shortly. The Manual will be updated for SSARS No. 21 in the April release. In the meantime, team and review captains should ask their peer review clients if they perform any preparation engagements during the course of the review. Depending on the reply, the newly adopted guidance may or may not be applicable.

Finally, the PRB is currently addressing how potential areas of common noncompliance with SSARS No. 21 should be assessed during the course of a review. This guidance would update Appendix E of Section 6200 of the Manual, which will be updated later in 2015.