

April 2016 Reviewer Alert

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PRPM to Remain on Peer Review Website, including Team/Review Captain Packages

To improve audit quality, make the peer review process more efficient and address feedback, the [PRPM](#), including [Team/Review Captain Packages](#), will remain on the peer review website available for download to AICPA members, with some content available to the public (Standards, Interpretations, etc.). The content includes:

- Engagement checklists,
- Supplemental checklists,
- Profiles,
- Team/Review Captain Package zip files and
- Practice Management Toolkits.

These materials will also be maintained on the AICPA's Online Professional Library (OPL) for subscribers. Those subscribers will have ability to:

- Search the PRPM,
- Add bookmarks and research notes and
- Link to references in guidance within their other OPL subscriptions

Single user and discounted multi-user subscriptions are [available for purchase](#). Multi-user subscriptions are based on the number of *concurrent* users, i.e. how many firm employees will need to access OPL during the same time frame. For further information, see [here](#), under "multi-user subscriptions."

Both resources will be kept up-to-date. For updates, continue to monitor Reviewer Alerts. Also see [Q&A on PRPM in OPL](#).

Reviewer Training Update: Upcoming Offerings

Team and review captains may satisfy the required annual training by attending a course approved by the Peer Review Board (PRB). The following sessions, offered at upcoming AICPA conferences, satisfy this training requirement:

- 1) [AICPA Practitioners Symposium and Tech+ Conference](#)
 - Date – June 6, 2016
 - Sessions - Peer Review Update – Part 1 & Peer Review Update – Part 2
- 2) [AICPA National Advanced Accounting and Auditing Technical Symposium](#)

- Date – July 21, 2016
 - Sessions - Peer Review, Part 1: Peer Review Update & Peer Review, Part 2: For Peer Reviewers, Team and Review Captains
- 3) [AICPA Peer Review Conference](#)
- Dates – August 9-10, 2016
 - Sessions – General Sessions

Reviewers are reminded to visit Peer Review's [Training for Ongoing Qualification webpage](#), prior to registration, for links to other courses that will meet this requirement, and to make certain that a course sponsored by an external provider has been approved to meet the requirement.

Reviewers of employee benefit plan and single audit engagements may satisfy the annual required training in these must-select areas by completing a course approved by the PRB. The following sessions, offered at upcoming AICPA conferences, satisfy this training requirement

- 1) Employee Benefit Plan Audit Engagements
 - [Conference - AICPA Employee Benefit Plans Conference](#)
 - i. Date – May 10, 2016
 - ii. Sessions – Changes in Peer Review Guidance Related to Employee Benefit Plans Part 1 & Changes in Peer Review Guidance Related to Employee Benefit Plans Part 2
 - [Conference - AICPA Peer Review Conference](#)
 - i. Date – August 8, 2016
 - ii. Session – 101 Employee Benefit Plans

- 2) Engagements subject to Government Auditing Standards
 - [Conference - AICPA Not-for-Profit Industry Conference](#)
 - i. Date – June 27, 2016
 - ii. Sessions - Peer Review Update - Governmental Must-Select Training Requirement Part 1 & Peer Review Update – Governmental Must-Select Training Requirement Part 2
 - [Conference - AICPA Peer Review Conference](#)
 - i. Date – August 8, 2016
 - ii. Session – 102 Engagements Under Government Auditing Standards

Reviewers are reminded to visit Peer Review's [Training for Review of Certain Must-Select Engagements webpage](#), prior to registration, for links to other courses that will meet this requirement, and to make certain that a course sponsored by an external provider has been approved to satisfy the requirement.

Reviewers should complete any relevant training requirements within 12 months of the commencement date of any peer review they are scheduled to perform.

For more information regarding these training requirements, or if there is any uncertainty regarding whether a training course meets the requirements, please visit Peer Review's [CPE & Events webpage](#).

Lessons Learned from Enhanced Oversight – Audit Documentation

Through a pilot program which started in 2014, Peer Review engaged subject matter experts to evaluate engagements after the peer reviewer had completed fieldwork but before the review was considered by the Report Acceptance Body. The results were startling – out of 90 engagements subject to oversight, the experts determined 40 were materially non-conforming. Even more alarming, the peer reviewers who reviewed those engagements identified only seven instances of material non-conformity, meaning 82% of non-conforming engagements were not caught through peer review. A common theme in the issues missed by the peer reviewers was insufficient audit evidence. We need to close this gap.

This year, the PRB is doubling the number of engagements to be reviewed as part of our ongoing enhanced oversight program. To close the detection gap, reviewers should be prepared to challenge a firm for making unreasonable judgments that fall outside of the auditing framework. The AICPA's A&A team has provided the following additional guidance on audit documentation.

Does the audit file provide a sufficient and appropriate record of the basis for the auditor's report; and evidence that the audit was planned and performed in accordance with GAAS and applicable legal and regulatory requirements?

Generally accepted auditing standards (GAAS) require the auditor to prepare audit documentation that is sufficient to enable an experienced auditor, having no connection with the audit, to understand, among other things, the nature, timing, and extent of the audit procedures performed.

AU-C section 230, *Audit Documentation* require the auditor, in documenting the nature, timing, and extent of audit procedures performed, to record

- a. the identifying characteristics of the specific items or matters tested;
- b. who performed the audit work and the date such work was completed; and
- c. who reviewed the audit work performed and the date and extent of such review.

AU-C section 230, *Audit Documentation*, notes that audit documentation can include audit plans and checklists. It further states that the existence of an adequately documented audit plan demonstrates that the auditor has planned the audit. However, the audit plan supports the fact that the audit was planned, not that specific procedures were performed.

Checklists can be used to facilitate audit procedures, but, using them correctly requires that they be appropriately tailored for the specific audit. Checking off a step in an audit program or a checklist will not provide sufficient documentation about the nature, timing, and extent of audit procedures performed or the identifying characteristics of the specific items or matters tested. What are identifying characteristics? Of course, they vary with the nature of the audit procedure and the item or matter tested. Examples include:

- For a detailed test of entity-generated purchase orders, record the dates and unique purchase order numbers of the items selected.
- For a procedure requiring selection or review of all items over a specific amount from a given population, select all journal entries over a specified amount from the journal register for the period being audited.

- For a procedure requiring systematic sampling from a population of documents, identify the documents selected by recording their source, the starting point, and the sampling interval (for example, a systematic sample of shipping reports selected from the shipping log for the period from April 1 to September 30, starting with report number 12345 and selecting every 125th report).
- For a procedure requiring inquiries of specific entity personnel, record the inquiries made, the dates of the inquiries, and the names and job designations of the entity personnel.
- For an observation procedure, the auditor may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.
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Note that AU-C section 230 requires that for audit procedures related to the inspection of significant contracts or agreements, the auditor should include abstracts or copies of those contracts or agreements in the audit documentation.

Identifying characteristics of the specific items or matters tested means providing sufficient detail so that not only could the auditor find the item tested again, but a reviewer can understand what was tested *without* having to refer to the source material. This includes understanding what characteristic of the items was tested, any calculations or recalculations performed, and what the result was, both for each item and overall for the procedure. As noted above, checking off a step on the audit program does not provide sufficient identifying characteristics to support the audit procedures performed.

The standards allow the auditor to exercise professional judgment in determining the amount of documentation that is sufficient to support the procedures performed, but the auditor is required to provide enough documentation to comply with the standards.

Remember, the standard requires documentation to be sufficient enough to allow for “an experienced reviewer with no connection to the audit” to understand the procedures performed. A reviewer with no connection to the audit is presumed to have no access to anything except what is in the work papers. Therefore, the work papers need sufficient detail for the reviewer to understand what was done – for example, which checks were looked at, or what date subsequent payments were made and for what amount, or the details of a contract or an agreement. Ultimately, the work papers must stand on their own to support the procedures performed by the auditor and include sufficient detail to support those procedures.

DOL Communicates to Firms

The Department of Labor (DOL) has begun sending letters to managing partners of all firms that perform ERISA audits. The letter communicates the findings in its report, [Assessing the Quality of Employee Benefit Plan \(EBP\) Audits](#), and advises of the DOL’s intention to conduct enhanced reviews of selected firms. The DOL’s letter to firms is part of a broader DOL outreach initiative on the importance of audit quality of ERISA plans. These communications further demonstrate the importance of recent changes in peer review.

If your peer review clients should reach out to you, we encourage you to direct them to the numerous resources the AICPA has developed to support audit quality. In May 2014, the AICPA launched the [Enhancing Audit Quality Initiative](#), and the AICPA’s [EBP Audit Quality Center](#)

provides up-to-date information, resources, tools and events to support CPAs performing these specialized audits. The Institute has also developed competency-based resources, including the imminent launch of the Employee Benefit Plans Certificate program, to help auditors advance their knowledge of these specialized engagements.

You may also want to remind your peer review clients that EBP audits are part of the peer review emerging industries and risk areas. See all of the [peer review emerging industries and risk areas](#) and [related resources](#). You and your fellow CPAs might also find the following resources beneficial:

- [AICPA Employee Benefit Plan Resources](#)
- [Performing Quality ERISA Employee Benefit Plan Audits: Firm Best Practices \(PDF\)](#)

If you have any questions, please let us know.

Upcoming Events

Save the Date! 2016 Peer Review Conference and Optional Sessions

August 8-10, 2016 San Diego, CA

The AICPA Peer Review Team will host our annual conference from August 8-10, 2016, with optional sessions on Monday, August 8, in San Diego, California. Please join us for another exciting installment of our annual conference. Check out our [conference web page](#) for more details. Registration will be available at the beginning of May 2016.

Becoming an AICPA Peer Review Team or Review Captain: Case Study Applications

August 10, 2016 San Diego, CA

The AICPA is hosting the “Becoming an AICPA Peer Review Team or Review Captain: Case Study Applications” course that will be held in conjunction with the Peer Review Conference in San Diego, California on August 10, 2016. Potential reviewers can network and meet with experienced peer reviewers during meals, breaks and at the reception. Check out our [web page](#) for more details. [Download the flyer](#) for more details. Registration will be available at the beginning of May 2016.