

REVIEWER ALERT



August 2016

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What's New in the *Peer Review Program Manual (PRPM)* – August 2016 Update

The following updates will be available by late August 2016 on the [peer review webpages](#), and in the Online Professional Library ([OPL](#)) to subscribers:

Updated Guidance Related to Common SSARS No. 21 Noncompliance

Changes to PRP section 6200, *Instructions to Reviewers Performing Engagement Reviews*, Appendix E, *Areas of Common Noncompliance with Applicable Professional Standards*, and PRP Section 2000, *Peer Review Standards Interpretations*, Interpretations 6-8 and 67-1, to update them for SSARS No. 21 were incorporated as discussed at the Peer Review Board's [August 11, 2016 open session](#) (Agenda Item 1.3). Please read the following article "[Additional SSARS No. 21 Considerations – Reporting and Engagement Letters](#)" for clarifications of the changes the Peer Review Board (PRB) made to Agenda Item 1.3.

Updated Checklist

PRP section 20700, *Employee Benefit Plan Audit Engagement Checklist*, and its related profile, has been updated, and should be used for reviews commencing on or after September 1, 2016:

The changes include but are not limited to:

- [Updated Guidance](#) – The checklist has been updated to conform to the AICPA Audit and Accounting Guide *Employee Benefit Plans*, as of January 1, 2016, as well as recent FASB Accounting Standards Updates.
- [SEC Independence](#) - related to guidance approved at the Peer Review Board's [May 3, 2016 open session](#) (Agenda Item 1.4).
 - Additional questions have been added, consistent with those added to PRP sections 20400 and 20600 in June, to ask what independence standards apply to the client, and to determine if the auditor complied with applicable independence and ethics requirements and specifically SEC independence requirements.

- Risk Assessment – additional language regarding “Risks of Material Misstatement” to assist reviewers, and related enhancement of the inherent risk question for the highest risk audit areas
- Other - The changes also include enhanced profile questions related to DOL limited-scope audits, SOC 1® reports, and initial audits.

As a peer reviewer, you should download the appropriate questionnaires and checklists from the PRPM each time you commence a review to ensure you have the most updated practice aids. You are expected to use the most recently updated versions for each peer review you perform.

Feedback

If you notice functionality issues or content errors in the PRPM, please email us at prsupport@aicpa.org with a subject line of “PRPM-feedback”. It is possible the issue has not yet been identified and we appreciate your user input.

Additional SSARS No. 21 Considerations – Reporting and Engagement Letters

Statement on Standards for Accounting and Review Services (SSARS) No. 21 is effective for reviews, compilations and engagements to prepare financial statements for periods ending on or after December 15, 2015. As such, peer reviewers are beginning to review engagements performed in conformity with SSARS No. 21 during their peer reviews. Peer Reviewers should be mindful of the added risk that these engagements may not be performed in conformity with the applicable professional standards in all material respects (in other words, non-conforming). PRP Section 6200, Appendix E provides examples to reviewers of items that generally would result in a deficiency or significant deficiency in an Engagement Review, or in other words, a list of items that generally would cause an engagement performed under SSARS to be considered non-conforming. At its August meeting, the PRB approved clarifications to Appendix E based on questions received from the peer review community. The PRB determined that ordinarily, the peer reviewer should conclude that a firm’s failure to adopt SSARS No. 21, if applicable, or to update the wording in the accountant’s report pursuant to SSARS No. 21, if applicable, would cause the engagement to be non-conforming and therefore result in a deficiency or significant deficiency in an engagement review.

The team or review captain should consider the following examples for further clarification.

- The following scenarios would ordinarily result in a non-conforming engagement:
 - The compilation or review report mirrors the illustrative report from SSARS No. 19 when SSARS No. 21 applies
 - The review report does not contain the appropriate headings
- The following scenarios would **NOT** ordinarily result in a non-conforming engagement:
 - The compilation report contains a title, but otherwise contained the required language in accordance with SSARS No. 21
 - The review report contains some of the appropriate paragraph headings, but not all are included
 - The compilation or review report generally follows the illustrative report from SSARS No. 21 application guidance, but omits a few words

Additionally, the agreed upon terms of an engagement performed in conformity with SSARS No. 21 should be documented in writing and signed by both the accountant and management (or those charged with governance). Although the format of this written communication may vary, firms most commonly satisfy these requirements through an engagement letter and such letters may include multiple services (for example, an engagement to prepare monthly financial statements and review the annual financial statements of the entity). Regardless of the format

used, the written communication should include the following for each respective service provided in accordance with the applicable AR-C section(s):

- objective of the engagement
- management and accountant's responsibilities
- any limitations associated with the respective levels of service to be provided
- applicable reporting framework
- expected form and content of report, if applicable
- and, if applicable, whether the financial statements are to contain any known departures from the applicable reporting framework or omit substantially all required disclosures.

When multiple services are provided, the firm's written communication will need to specifically identify the level of service associated with the engagement being reviewed in order for the review team to conclude that engagement was performed in accordance with the applicable professional standards in all material respects. When an engagement letter fails to specify the level of service associated with the peer reviewed engagement, the peer reviewer may consider other written evidence that supports that the required understanding was established. Otherwise, the firm's failure to establish this written understanding with management would cause an engagement to be nonconforming and therefore result in a deficiency or significant deficiency in an engagement review.

Reviewers can use the AICPA's A&A Technical Hotline or Issue Advisory Hotline when assessing the adequacy of alternative evidence when an engagement letter is not present or in the event that disagreements arise between the reviewer and the reviewed firm.

Examples of Matters in Peer Reviews

The AICPA is using data collected during peer reviews to identify trouble spots and is developing resources within the AICPA that will provide firms with more focused remedies for their findings. Our ultimate goal is to assist firms with the hurdles they've faced in the past, provide them with tools to enhance the quality of their work and overall "up the game on quality" in the profession. Refer to the [Examples of Matters in Peer Reviews](#) webpage for the most recent trends identified.

Frequent Violations in Ethics Investigations

The Professional Ethics Division investigates potential disciplinary matters involving members of the AICPA and state CPA societies participating in the Joint Ethics Enforcement Program. Refer to the Division's reports on the most frequent professional standards violations for [Employee Benefit Plan](#) and [Government and Not-for-Profit](#) investigations for the most recent trends identified. Many of these violations are similar to trends observed in Peer Review. The AICPA is also using these findings to contribute to the efforts to design guides, interpretations and CPE to address these issues.

Peer Review Conference Evaluation and CPE Transcript

If you attended the 2016 Peer Review Conference and/or optional sessions, you will need to login to AICPAConferences.com and complete the speaker and overall evaluations. To access the speaker evaluations and your official CPE Transcript, log in, then go to the Peer Review Conference event page and click the "**Evaluation & CPE Transcript**" tab to see the available session evaluations. You must complete all evaluations for the sessions you attended. In addition, to access your CPE Transcript, [you must complete your overall conference evaluation.](#) You will also have access to archives of the sessions you attended.

Quality Resources for Firms

The AICPA has developed numerous resources to assist firms with improving audit quality. Firms can access:

- Free Archive of [Surviving the Deep Dive – A Closer Look at the Peer Review Focus Areas](#) (no CPE available)
- Free Archive of [Drive Your Competitive Edge with Audit Quality](#) (no CPE available)
- Free Guide to [Selecting a Quality Reviewer](#)
- Free [Examples of Matters in Peer Reviews](#) webpage
- Rebroadcast of [Are You Ready for Your Peer Review?](#) on September 22, 2016 2-4pm
- On-demand course [A Firm's System of Quality Control](#)
- Additional Enhancing Audit Quality [Resources](#)