

December 2015 Reviewer Alert

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What's New in the *Peer Review Program Manual (PRPM)*

The following updates will be available in OPL by mid/late December 2015:

- [Reviewer Performance, Disagreements, and Qualifications Changes](#) effective for reviews commencing on or after December 31, 2015. The changes are designed to:
 - Expedite remediation and removal of poor performing reviewers,
 - Improve consistency in the handling of reviewer performance matters and
 - Enhance reviewer qualifications for reviewers of must-select engagements.

A list of the key changes was covered in the [June Reviewer Focus](#). Details of the changes are in the [May 5, 2015 Peer Review Board Open Session materials](#). Related enhancements to reviewer training requirements (including reviewers of must-select engagements) are effective for reviews commencing on or after May 1, 2016 and are discussed further in the [May Reviewer Focus](#).

Affected PRPM sections are:

- 1000's AICPA Standards for Performing and reporting on Peer Reviews
 - 2000's Peer Review Standards Interpretations
 - 3300 Report Acceptance Body Handbook
- [System and Engagement Review Toolkits](#) will be available in OPL from the 24,000 "Other Peer Review Practice Aids-Toolkits" section. Refer to the "Tips" article in the [September Reviewer Alert](#) for guidance on how to bookmark the schedules "System Review Toolkit" and/or "Engagement Review Toolkit" and use it to link quickly as a "Table of Contents" to documents you need to download.
- [Corrections of October updates](#):
 - 4800 Summary Review Memorandum has been corrected to provide fillable fields for the "Agreed-Upon Procedures" lines in the "Scope of Work Performed" section
 - 23,200 has been corrected to provide question boxes on 23205 for "F" related to representation letters

Broker Dealer and Future Commission Merchants Resources

The AICPA Stockbrokerage and Investment Banking Expert Panel would like to remind you of valuable tools and publications available to assist you with planning and performing your annual audit and attestation engagements of broker-dealers registered with the SEC and futures

commission merchants and other entities registered with the Commodity Futures Trading Commission (CFTC):

- A free publication that was released last month, [Regulatory Considerations for entities registered with the CFTC](#).
- A [summary of audit, attestation and independence standards](#) applicable to AICPA members performing audit and attestation engagements for certain SEC and/or CFTC-registered entities.
- Illustrative examples of a [compliance report](#) and an [exemption report](#) required by the SEC Rule 17a-5.
- A Center for Audit Quality (CAQ) alert entitled [Select Considerations for the 2015 Audit Cycle for Brokers and Dealers](#).
- The CAQ and AICPA joint member [Independence alert](#).

For more information, visit the AICPA Stockbrokerage and Investment Banking Expert Panel [webpage](#).

REMINDER: Exposure Draft – Improving Transparency and Effectiveness of Peer Review

The Peer Review Board (Board) has issued an [exposure draft](#) intended to improve the transparency and effectiveness of peer review by clarifying and enhancing the existing guidance for what is expected of firms, reviewers and RABs in relation to systemic issues and nonconforming engagements.

- The proposals impact firms by giving them the ultimate responsibility for identification of and implementing appropriate remediation of systemic issues and nonconforming engagements (no more “reviewer recommendation”).
- The proposals impact reviewers by enhancing expected procedures to identify systemic causes and assess the firm’s remediation plans, including when scope expansion or additional deficiencies, such as tone at the top, may be necessary.
- The proposals impact RABs by enhancing expected considerations of the firm and reviewer assessments with respect to systemic causes and nonconforming engagements and when corrective actions should be used to confirm effectiveness of the remediation plans.
- The proposals provide the public with more transparent reporting of engagements selected, linkage between nonconforming engagements and report rating, industries impacted by the deficiencies and the firm’s remediation plans. The proposals also clarify what information can be provided to third parties about the progress and results of a review.

Comments and responses should be sent to Rachelle Drummond, Senior Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 or PR_expdraft@aicpa.org, and should be received by January 31, 2016.

If approved by the Board, final revisions to the *Standards* and Interpretations will be effective for reviews commencing on or after January 1, 2017 except for those related to transparency of review status. *Standards* paragraphs .133 and .146 and Interpretations 133a-1 and 146-3 will be effective upon approval by the Board.

Impact on Independence of Non-Audit Services in Audits subject to *Government Auditing Standards* (re-printed with permission from the author, Roger Johnson)

Recently, there have been multiple inquiries regarding the impact on independence of non-audit services in audits subject to *Government Auditing Standards* (the 2011 Yellow Book). This especially involves whether or not a “significant threat” was present in a firm’s audit and, if so, whether or not the firm properly considered the need for “safeguards” to overcome the significant threat. Some firms, and perhaps some peer reviewers, have incorrectly concluded that the presence of “skills, knowledge and experience” (SKE) in the client’s organization is a safeguard or negates the need for a safeguard. Additionally and unfortunately, several instances have been seen where system peer review documents (including the A-133 profile sheet) have shown either the firm or the peer reviewer, or both, *might not* have understood this important issue. This has led to the need for additional peer review procedures, not always limited to inquiry and resolution of questions arising in the technical review or report acceptance body consideration of firms’ reviews where the Yellow Book is applicable.

The purpose of this article is to refer reviewers to a useful AICPA practice aid — useful and helpful for peer reviewers and the firms they review. Here is a link to [2011 Yellow Book Independence – Non Audit Services Documentation Practice Aid](#).

This practice aid, at a cost of \$28 for AICPA members, is designed to assist auditors “in identifying and evaluating threats to independence for non-audit services when considering whether to provide a non-audit service [and] in applying the conceptual framework for independence contained in the 2011 Yellow Book” and its independence documentation requirements. A highlight of the discussions in the practice aid involves the typical non-audit services performed for smaller entities: preparing the client’s financial statements, preparing journal entries other than proposed audit entries, and preparing reconciliations. Various types of safeguards are introduced, and there are illustrative examples to demonstrate how, when preparing the client’s financial statements as a non-audit service, the auditor might reach conclusions about the presence (or not) of significant threats to independence and, if so, what types of safeguards might be reasonable.

Peer reviewers and auditors, whether peer reviewers or not, may find this practice aid quite useful and it is recommended. For additional information and guidance on the 2011 Yellow Book, peer reviewers and auditors can refer to the [GAO website](#) and the [AICPA Governmental Audit Quality Center website](#).