Reviewer Focus

Welcome to the March 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 three articles:

1. AICPA *Peer Review Program Manual* Update
2. Update on Preparation Engagements and SSARS No. 21
3. Enhancing Audit Quality – Peer Review Focus Area Updates

AICPA *Peer Review Program Manual* Update
The revised AICPA *Peer Review Program Manual* Update 00-11 (May 2015) (Manual) will be available for download by late April from the **In the Spotlight** section on the Peer Review Interest Area page, as well as the 2015 Peer Review Program Manual page or the Team and Review Captain Checklists page.

Peer reviewers should adhere to the revised guidance, forms, and checklists for peer reviews commencing on or after May 1, 2015.

The manual has been updated for recently approved guidance as described in the Peer Review Alert 15-01 (February 2015) "Preparation Services Exposure Draft" and the related Reviewer Focus article "Additional Information for the Review of Engagements Subject to SSARS No. 21". In addition, five new checklists will be available for engagements performed in accordance with SSARS No. 21, Statement on Standards for Accounting and Review Services: Clarification and Recodification[1]).

Certain engagement checklists, including the engagement profiles, have been revised to address the emerging risk areas discussed in the 14-02 Peer Review Alert (May 2014) "Enhancing Audit Quality Initiative-Emerging Industries and Risk Areas", specifically:

- Independence as it relates to non-attest services provided to attest clients
- Sufficiency of audit evidence - risk assessment, internal controls, and sampling

The revisions foster a more robust review in these areas. The revisions are discussed in more detail below.

Further details on the changes made to the Manual can be found in the Release Notes, which will also be available by May 1.

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[1] AICPA, Professional Standards, AR-C sec. 60, 70, 80, and 90

Update on Preparation Engagements and SSARS No. 21

As previously discussed in the February Peer Review Update, engagements to prepare financial statements under SSARS No. 21 are included in the scope of System and Engagement Reviews for reviews commencing after February 1, 2015. While the updated forms (such as the Summary Review Memorandum) that include references to these engagements are available upon request, they will not be published on our website until late April 2015. However, reviewers are reminded that they can currently enter any SSARS No. 21 related MFC into PRISM as PRISM has been updated to include the new checklists created as a result of SSARS No. 21 as well as 'AR-C Accounting and Review Services – Clarified' as a Professional Standards Reference. As of today, the 'AR Section & Description' and 'Paragraph' prompts will not automatically generate when 'AR-C Accounting and Review Services – Clarified' is selected as the Professional Standards Reference (as is the case with other selections, such as 'AR Accounting and Review Services'). Until this functionality is available, reviewers should input the professional standards reference in the Description of the Matter section.

Additionally, if a reviewer performs a review of a firm that performs preparation engagements prior to the updated Summary Review Memorandum becoming available, the reviewer should note how many preparation engagements were performed by the firm and how many were selected by the review team. Administering entities will need this information as they are currently able to enter that information into PRISM.

Finally, as a reminder, for purposes of complying with AICPA bylaws, a firm that only performs preparation engagements is not required to be enrolled in the AICPA Peer Review Program. If a firm only performs these engagements, they may unenroll at any time, unless their current peer review has commenced. Additionally, please refer to Interpretation No. 19-1 for guidance on when a firm resigns from the program and then subsequently reenrolls.

Enhancing Audit Quality – Peer Review Focus Areas Update

The peer review checklists have been re-tooled to reflect the peer review focus areas. The changes are significant but geared toward a more effective and efficient peer review.

The checklists incorporate a more robust review in audit areas of increased risk or areas that have shown to have increased inspection matters in the past. These areas were discussed in the 14-02 Peer Review Alert (May 2014) "Enhancing Audit Quality Initiative-Emerging Industries and Risk Areas." The areas and a short summary of the changes are as follows:

Independence as it relates to non-attest services provided to attest clients - New profile questions for firms to complete as well as more targeted questions for reviewers that require evaluation.

Sufficiency of audit evidence, in particular, risk assessment, internal controls, and sampling - Generally, there is a revised peer review approach for audit engagements, which narrows detailed review procedures to three accounts or audit areas that the reviewer identifies as having the highest importance to the engagement based on his or her industry experience. In each of the three selections, the reviewer will answer "deep dive" questions in the areas of inherent risk and risk of material misstatement. Then, the reviewer completes the audit or audit area-specific questions, which include new "deep dive" questions in the area of sampling.

You can find more information about all of the changes included in the AICPA *Peer Review Program Manual* Update 00-11 (May 2015) (Manual) in the AICPA *Peer Review Program*

Manual Update article or online in the **In the Spotlight** section on the Peer Review Interest Area page, as well as the 2015 Peer Review Program Manual page or the Team and Review Captain Checklists page. Further details on the changes made to the Manual can be found in the Release Notes, which will also be available by May 1.

You can find more information online about the Enhancing Audit Quality initiative and the Peer Review Areas of Focus.