Peer Review Program Manual (PRPM) Changes

Unless otherwise noted, reviewers should adhere to the revised guidance, forms, and checklist for reviews commencing on or after January 1, 2013.

The following is a summary of changes and checklist updates included in the January 2013 PRPM update.

QCM Reviews

The manual has been updated to reflect several new forms and checklists for use when performing and reporting on QCM reviews. Section 8000 includes the following new forms and checklists:

- PRP section 8300, Review of Quality Control Materials Checklist
- PRP section 8400, Guidelines for Review of Quality Control Policies and Procedures for Quality Control Material Providers
- PRP section 8500, Quality Control Materials Author or Technical Reviewer Interview Questionnaire
- PRP section 8950, Instructions for Use of Matter for Further Consideration Forms for Quality Control Materials Reviews
- PRP section 8960, Instructions for Use of Findings for Further Consideration (FFC) Forms for Quality Control Materials Reviews

PRP section 8800, QCM Review Summary Review Memorandum, and PRP section 8900, QCM Review Team Captain Checklist, have also been revised.

Peer Review Standards

Appendixes C—E, G, I, and K have been revised to reflect recently approved changes to peer review report wording for system reviews. Appendix A, “Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials Reviews (as Referred to in a Peer Review Report)” has been revised to reflect recently approved changes.

Instructions to Reviewers Performing Engagement Reviews

Appendix E, “Areas of Common Noncompliance With Applicable Professional Standards” of PRP section 6200, Instructions to Reviewers Performing Engagement Reviews, has been revised to reflect recently approved changes stemming from findings and deficiencies regarding noncompliance with Statement on Standards for Accounting and Review Services No. 19, Compilation and Review Engagements (AICPA, Professional Standards). Additional information on changes to PRP section 6200 can be found in Peer Review Alert 12-01 (May 2012).
Interpretations to the Peer Review Standards

The following interpretations have been added:

- Interpretation No. 19-1 under “Timing of Peer Reviews”
- Interpretation No. 83-3 under “Determining the Cause for a Finding in a System Review”

The following interpretations have been revised:

- Interpretation No. 5g-1 under “Resignations From and Reenrollment in the Program”
- Interpretation No. 5h-1 under “Cooperating in a Peer Review” (See PRA 12-03 [August 2012])
- Interpretation No. 6-8 under “Engagements Performed and/or Reported Under International Standards”
- Interpretation No. 21-1 under “Independence, Integrity, and Objectivity”
- Interpretations No. 24-1 and 25-1 under “Peer Review Documentation and Retention Policy” (See PRA 12-03 [August 2012])
- Interpretation No. 34-1 under “Qualifying for Service as a Peer Reviewer”
- Interpretation No. 52-1 under “Understanding, Assessing, and Documenting Peer Review Risk Factors and Risk Assessment”
- Interpretation No. 94-1 under “Notification and Submission of Peer Review Documentation to the Administering Entities by the Team Captain or Review Captain”

RAB Handbook

The following chapters in the RAB handbook have been revised:

- Chapter 3, guidance on recalling peer review documents. Additional information on changes to guidance on recalling peer review documents can be found in PRA 12-03 (August 2012).
- Chapter 7, guidance on disagreements.
- Chapter 8, guidance on reviewer performance.

Revisions to Matters for Further Consideration and Disposition of Matter for Further Consideration Forms

Various revisions related to matters for further consideration (MFC) and disposition of matter for further consideration (DMFC) forms have been included throughout the manual, including reordering the layout of information captured in MFC forms to allow for easier data entry and approval in PRISM when the MFC process becomes electronic in 2013. Other significant changes related to MFC and DMFC forms include the following:
For both system and engagement reviews, detailed explanations of why an MFC form was not taken to a finding for further consideration (FFC) form or the peer review report should be provided in the additional comments section of the MFC form (for example, to describe why a matter documented on a particular MFC form is was deemed an isolated occurrence). A brief explanation will also be required on the DMFC form (for example, the matter was deemed an isolated occurrence). Explanations on the MFC form(s) should be detailed in order to reduce the number of questions received during technical review.

For both a system and an engagement review, a reviewed firm representative will be responsible for completing the firm’s portion of the MFC form. The reviewed firm representative is selected by the firm on its scheduling form and may be the managing partner or the peer review contact. Prior to signing the MFC form, the reviewed firm representative should discuss the MFC form with the appropriate individuals within the firm, including those charged with governance.

For engagement reviews, the reviewed firm’s signature is now required. Previously, due to the ability to perform engagement reviews offsite, the review captain was permitted to complete the firm’s response on its behalf after a teleconference to discuss the matter identified. Due to the ability of the firm to access the MFC form electronically, this option is no longer necessary. The reviewed firm representative will be expected to complete the firm’s portions of the MFC form and to sign the form after discussing it with the appropriate individuals within the firm, including those charged with governance. At its January 2013 meeting, the Peer Review Board (PRB) will be considering delaying this particular new requirement until July 1, 2013 (that is, for peer reviews commencing on or after July 1, 2013) in order to coincide with the expected release of the electronic MFC and DMFC forms. Readers are encouraged to monitor the progress of this development. PRB meeting agendas and highlights of past meetings can be found on the Peer Review Board page of the Peer Review interest area.

DMFC forms were removed from PRP section 4800, Summary Review Memorandum, and PRP section 6300, Review Captain’s Checklist, and are now in PRP section 4850, Disposition of Matter for Further Consideration (DMFC) Form, and PRP section 6350, Disposition of Matter for Further Consideration (DMFC) Form, respectively. The key change to the DMFC forms is that a brief explanation is now required for why the team or review captain did not take the matter to an FFC form or to the report (for example, the matter was deemed an isolated occurrence).

These recently approved changes are closely aligned with the MFC Project. Additional information, including a questions and answers document, on the MFC Project can be found in PRA 12-01 (May 2012) and on the MFC Project webpage of the Peer Review interest area.

Public Company Accounting Oversight Board Audit Engagement Checklist
PRP section 21, 200, Public Company Accounting Oversight Board Audit Engagement Checklist, has been added to the line-up of peer review program checklists in the January
1, 2013 release. PRP section 21, 200 is applicable for engagements when the reviewed firm has performed an audit of the financial statements of a nonissuer under the auditing standards of the Public Company Accounting Oversight Board.

Employee Benefit Plan Checklist

PRP section 20,700, Employee Benefit Plan Audit Engagement Checklist (For Financial Statements Ending On or After December 15, 2012) (and PRP section 20,700A), have been updated to reflect in bold font those questions in the checklists that focus on audit areas noted as frequently not being performed in accordance with professional standards. Additional discussion regarding this change may also be found in the October 2012 Reviewer Focus.

General Information Regarding Checklist Updates

- Conforming changes were made to the Peer Review Program Checklists based on the revisions to the Standards. The checklists have also been conformed to the clarified auditing standards. Checklists for use on engagements covering financial statements for periods ending on or before December 15, 2012 are designated with a capital letter “A” after the checklist number.
- See the instructions of each checklist for information on the standards used to update the checklist.