
EXPOSURE DRAFT

PROPOSED REVISIONS TO THE AICPA STANDARDS FOR PERFORMING AND REPORTING ON PEER REVIEWS

PERFORMING AND REPORTING ON PEER REVIEWS OF COMPILATIONS PERFORMED UNDER SSARS 19

January 31, 2011

Comments are requested by April 29, 2011

**Prepared by the AICPA Peer Review Board for comment from persons interested
in the AICPA Peer Review Program.**

**Comments should be received by April 29, 2011 and addressed to
Rachelle Drummond, Technical Manager
AICPA Peer Review Program
American Institute of Certified Public Accountants
220 Leigh Farm Road, Durham, NC 27707-8110
or PR_expdraft@aicpa.org**

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CONTENTS

Peer Review Board

Letter from the Chair of the Peer Review Board	4
Peer Review Board Members	5

Explanatory Memorandum

Introduction	6
Background	6
Effective Date	6
Changes From Existing Standards.....	6
Guide for Respondents	7
Comment Period.....	7

Exposure Draft

Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews of Compilations Performed Under SSARS 19	8
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January 31, 2011

This exposure draft has been approved for issuance by the AICPA Peer Review Board, and contains proposals for review and comment by the AICPA's membership and other interested parties regarding revisions to the *Standards for Performing and Reporting on Peer Reviews* ("*Standards*").

Written comments or suggestions on any aspect of this exposure draft will be appreciated. To facilitate the Board's consideration, comments or suggestions should refer to the specific paragraphs and include supporting reasons for each comment or suggestion. Please limit your comments to those items presented in the exposure draft. Comments and responses should be sent to Rachelle Drummond, Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by April 29, 2011. Electronic submissions of comments or suggestions in Microsoft Word should be sent to PR_expdraft@aicpa.org by April 29, 2011.

Written comments on the exposure draft will become part of the public record of the AICPA Peer Review Program and will be available for public inspection at the offices of the AICPA after April 29, 2011 for a period of one year.

The exposure draft includes an explanatory memorandum of the proposed revisions to the current *Standards*, explanations, background and other pertinent information, as well as marked excerpts from the current *Standards* to allow the reader to see all changes (i.e. items that are being deleted from the *Standards* are struck through, and new items are underlined).

A copy of this exposure draft and the current *Standards* (effective for peer reviews commencing on or after January 1, 2009) are also available on the AICPA Peer Review website at <http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx>.

Sincerely,

Daniel J. Hevia
Daniel J. Hevia
Chair
AICPA Peer Review Board

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2010-2011**

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Explanatory Memorandum

Introduction

This memorandum provides background to the proposed revisions to the AICPA *Standards for Performing and Reporting on Peer Reviews* ("Standards"). The proposed revisions are for paragraphs 102, 107, and 108 of the Standards.

Background

In December 2009, the AICPA's Accounting and Review Services Committee (ARSC) issued Statement on Standards for Accounting and Review Services (SSARS) No. 19, *Compilation and Review Engagements*. SSARS 19 is effective for compilations and reviews of financial statements for periods ending on or after December 15, 2010. The purpose of SSARS No. 19 was to provide a conceptual underpinning that clarifies performance and reporting standards for compilation and review engagements. Among other items, SSARS No. 19 established enhanced documentation requirements for compilation and review engagements.

Prior to the issuance of SSARS 19, SSARS were silent as to the documentation requirements for compilation engagements. With its issuance, however, accountants are now required to include the following documentation for all compilation engagements:

- The written communication with management establishing an understanding regarding the services to be performed or justification for the lack of written communication and how alternative procedures performed were sufficient.
- Any findings or issues that, in the accountant's judgment, are significant; for example, the results of compilation procedures that indicate that the financial statements could be materially misstated, including actions taken to address such findings, and, to the extent the accountant had any questions or concerns as a result of his or her compilation procedures, how those issues were resolved.
- Communications, whether oral or written, to the appropriate level of management regarding fraud or illegal acts that come to the accountant's attention.

With the issuance of SSARS No. 19, the ARSC recodified AR Section 100, *Compilation and Review of Financial Statements*, into separate AR sections for compilation and review engagements. In addition, SSARS No. 19 superseded AR section 20, *Defining Professional Requirements in Statements on Standards for Accounting and Review Services* and AR section 50, *Standards for Accounting and Review Services*. In place of AR sections 20, 50, and 100, the requirements and guidance were separated into the following sections:

- AR Section 60 - Framework for Performing and Reporting on Compilation and Review Engagements
- AR Section 80 - Compilation of Financial Statements
- AR Section 90 - Review of Financial Statements

Effective Date

The proposed revisions would be effective for peer reviews commencing on or after July 1, 2011.

Changes From Existing Standards

Under current Standards for an Engagement Review, documentation is not reviewed for compilation engagements performed under SSARS. However, paragraph 108d does state that a review captain may request to review all other documentation on compilation engagements performed under SSARS if the firm has represented that the documentation is appropriate but the review captain has cause to believe that the documentation may not have been prepared in

accordance with applicable professional standards, or to support presentation or measurement issues relating to the financial statements or information, if necessary.

The proposed revisions will revise the Standards such that applicable documentation required by professional standards for compilation engagements performed under SSARS, should be reviewed.

Guide for Respondents

Written comments or suggestions on any aspect of this exposure draft will be appreciated. To facilitate the Board's consideration, comments or suggestions should refer to the specific paragraphs and include supporting reasons for each comment or suggestion. Please limit your comments to those items presented in the exposure draft. When a respondent agrees with proposals in the exposure draft, it will be helpful for the PRB to be made aware of this view.

Comments and responses should be sent to Rachelle Drummond, Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by April 29, 2011. Electronic submissions of comments or suggestions in Microsoft Word should be sent to PR_expdraft@aicpa.org by April 29, 2011.

Written comments on the exposure draft will become part of the public record of the AICPA Peer Review Program and will be available for public inspection at the offices of the AICPA after April 29, 2011 for a period of one year.

Comment Period

The comment period for this exposure draft ends on April 29, 2011.

Exposure Draft

Proposed Revisions to the AICPA Standards for Performing and Reporting on Peer Reviews of Compilations Performed Under SSARS 19

.102 The objective of an Engagement Review is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects. An Engagement Review consists of reading the financial statements or information submitted by the reviewed firm and the accountant's report thereon, together with certain background information and representations and, ~~except for compilation engagements performed under SSARS,~~ the applicable documentation required by professional standards.

.107 For each engagement selected for review, the reviewed firm should submit the appropriate financial statements or information and the accountant's report, masking client identity if it desires, along with specified background information, representations about each engagement and, ~~except for compilation engagements performed under SSARS,~~ the firm's documentation required by applicable professional standards for each of these engagements. There is a presumption that all engagements otherwise subject to the peer review will be included in the scope of the review. However, in the rare situations when exclusions or other limitations on the scope of the review are being contemplated, a reviewer should carefully consider the implications of such exclusion. This includes communicating with the firm and the administering entity the effect on the review and on the ability of the reviewer to issue a peer review report.

.108 The evaluation of each engagement submitted for review includes:

- a. Consideration of the financial statements or information and the related accountant's report on the compilation and review engagements performed under SSARS and engagements performed under SSAEs.
- b. Consideration of the documentation on the engagements performed via reviewing background and engagement profile information, representations made by the firm, and inquiries.
- c. ~~For engagements other than compilation engagements performed under SSARS,~~ review Review of all other documentation required by applicable professional standards on the engagements.
- d. ~~The review captain may request to review all other documentation on compilation engagements performed under SSARS if the firm has represented that the documentation is appropriate but the review captain has cause to believe that the documentation may not have been prepared in accordance with applicable professional standards, or to support presentation or measurement issues relating to the financial statements or information, if necessary.~~