

November 2015 Reviewer Alert

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

The following changes will be available in OPL by late November 2015:

- Not-for-Profit and Governmental Audit Engagement Checklists (20,600 and 20,500) profiles have been updated to improve the non-attest services questions, including those related to when the engagement is performed under Government Auditing Standards (Yellow Book). The "Governmental" Checklist has also been updated to reflect applicable changes in Governmental Accounting and Financial Reporting Standards (GASBs) and the latest (March 1, 2015) AICPA Audit Guide - State and Local Governments, as well as conforming changes to other professional standards' references.
- Government Auditing Standards (Yellow Book) and Single Audit/A-133 Engagement Checklists have been updated for the latest (February 1, 2015) AICPA Audit Guide - Government Auditing Standards and Single Audits. The Single Audit/A-133 Engagement Checklists have also been updated for certain transitional considerations in the Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards ("Uniform Guidance") of 2 CFR 200, Subpart F that may be applicable prior to the effective date of the audit requirements for fiscal periods beginning on or after December 26, 2014.

Affected checklists are:

- 22,110 Supplemental Checklist for Review of Audit Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) December 2011 Revision
- 22,120 Supplemental Checklist for Review of Agreed Upon Procedures and Other Attestation Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) December 2011 Revision
- 22,100 Part A and B Supplemental Checklists for Review of Single Audit Act/A-133 Engagements

Further updates for the Uniform Guidance, which will be effective for fiscal periods beginning on or after December 26, 2014, will be incorporated into the Single Audit/A-133 checklists in approximately June 2016.

In conjunction with these changes, the following checklists are outdated and have been eliminated:

- 22,110A Supplemental Checklist for Review of Audit Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) July 2007 Revision
- 22,120A Supplemental Checklist for Review of Agreed Upon Procedures and Other Attestation Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) July 2007 Revision

These changes are effective immediately.

A new Supplemental Checklist for Review of Audit Engagements of State and Local Governments Participating in Pension Plans Subject to GASB Statement No. 68 (PRPM 22,130) is expected to be released in late 2015/early 2016.

- System Review Engagement Profiles will be available in OPL from the 24,000 “Other Peer Review Practice Aids” section. Refer to the “Tips” article in the [September Reviewer Alert](#) for guidance on how to bookmark the schedule “System Review Engagement Profiles” and use it to link quickly as a “Table of Contents” to any profile you need to download.

Error in October 2015 Practice Aids in OPL

Several downloadable practice aids updated in late October 2015 on the Online Professional Library (OPL) were affected by a computer glitch which caused responses to multiple choice questions in the aid to default to the first option provided in the fillable PDF form.

As an example, when an affected file is reopened after saving responses onto a user’s central file system, the responses default to the “N/A” within the “N/A, Yes, No” questions, or the “Completed” in the “Completed, Not Applicable” questions. The original checklist responses can still be seen in the “preview” function from a user’s central files. Corrected practice aids will be available in late November on OPL.

The affected PRPM sections and the purpose for their October update are:

Questions added related to the Issue Resolution Hotline

- 4800 Summary Review Memorandum
- 6300 Review Captain Summary

Instructions updated for Section II. Audit Areas – Highest Risk Audit Areas

- 20,700 Employee Benefit Plan Audit Engagement Checklist

Incorrect references updated (e.g. “auditor” to “accountant”):

- 23,200 and 23,200A - Engagement Reviews—General (For engagements performed in accordance with SSARS No. 19 or 21, as applicable)
- 23,300 and 23,300A - Engagement Reviews—Compilations That Omit Substantially All Disclosures Checklist (For engagements performed in accordance with SSARS No. 19 and 21, as applicable)

Users should carefully review the files they prepared using these October 2015 practice aids. Users may need to correct files using those available on OPL in late November, or duplicate the originally intended responses using prior versions, as long as the above updates are either not applicable (for instance, the Issue Resolution Hotline was not used), or are considered/addressed (for instance, the revised 20,700 instructions were followed).

REMINDER for Users of the AICPA Peer Review Program Manual, including Team/Review Captain Packages

If you (or firms you peer review) access the Peer Review Program Manual (PRPM), including Team/Review Captain Packages or engagement checklists, from the Peer Review website, you should know that only limited PRPM content will remain on that website after December 31, 2015.

Content that will remain available to the public includes the Standards, Interpretations, Report Acceptance Body Handbook and Quality Control Policy and Procedure Questionnaires. Other PRPM content will be available only in the AICPA's Online Professional Library (OPL) to its subscribers after December 31, 2015. This includes but is not limited to the Summary Review Memorandum, Review Captain Summary *and all profiles and engagement checklists*.

Consider taking advantage of our [free 90-day OPL trial offer](#), which was further discussed in the [September Reviewer Alert](#).

For more information, see Peer Review Program Updates in our [2015 communications](#), most notably in the "[Launch](#)" article.

Peer Review Considerations from the PCAOB Staff Inspection Brief

The PCAOB recently issued a Staff Inspection Brief that provides information about the 2015 inspection year and outlines some of the focus and key risk areas for the inspectors during the upcoming review cycle. The PCAOB Inspection Brief can be found [here](#). The Center for Audit Quality issued CAQ Alert #2015-7, *Select Auditing Considerations for the 2015 Audit Cycle*, which identifies and discusses some of the more judgmental or complex audit areas, many of which are also covered in the PCAOB Inspection Brief. The CAQ Alert can be found [here](#).

The Inspection Brief identified three general areas that have been sources of recurring audit deficiencies in prior years and will be looked at across all firms: internal controls over financial reporting, assessing and responding to risks of material misstatement, and accounting estimates including fair value measurements.

In addition to the general areas, inspectors also focus on select financial reporting areas when reviewing audits. The areas identified in 2014 (revenue and receivables, non-financial assets, inventory, financial instruments, the allowance for loan losses, income taxes, benefit related liabilities, and equity transactions) remain frequently selected areas in 2015. In addition, the statement of cash flows and income tax accruals are focus areas in 2015.

Information technology is another area of focus for the PCAOB particularly related to Firm audit tools. Firms are beginning to move in the direction of developing and using software audit tools to analyze data populations and select samples for audit testing. As a result, inspection staff will seek to understand the controls firms have in place to provide assurance that software audit tools are meeting audit objectives, the steps firms have taken to determine whether engagement teams understand how to effectively use software audit tools and evaluate the results, and the steps firms are taking to maintain professional skepticism and develop professional judgment skills of the engagement teams in light of the technological advances.

Finally, PCAOB inspection staff assess each firm's quality control system for weaknesses or deficiencies that could lead to deficiencies in audit performance. The focus areas here correlate

with items already being assessed by peer reviewers during their reviews. The key areas identified by the PCAOB are: root cause analysis, independence and non-audit services, engagement quality review, professional skepticism, and related parties as a new PCAOB auditing standard went into effect in 2015.

While the Inspection Brief is focused on the PCAOB inspection process, the focus areas discussed are not unique to SEC issuers and should be considered by firms and peer reviewers when performing audits and peer reviews. Some items, such as the items identified for quality control systems, are already taken into consideration during the peer review process. As outlined in Interpretation 40-2, for firms that are subject to PCAOB inspection, reviewers should take the report into consideration when assessing risk, planning, and performing peer review procedures.

Documentation Retention Reminder

Peer reviewers and administering entities are reminded to comply with the documentation retention requirements outlined in the AICPA Standards for Performing and Reporting on Peer Reviews (*Standards*). Only certain documents should be retained for an extended period of time after the acceptance and completion of the related peer review. The documents that may be retained until the completion of the firm's subsequent peer review are listed in Interpretation No. 25-1. All other documents should be destroyed 120 days after the related peer review is completed.

Peer reviewers and administering entities should also be wary of any peer review related documents stored on remote servers (in other words, the cloud). Any documents stored on a remote server are subject to the same retention requirements as those stored on local servers or on personal computers. Reviewers and administering entities should develop procedures to ensure that any peer review related documents are destroyed in accordance with the *Standards*.

Reviewer Training and Reviewer Qualification Update

New peer reviewer training courses are now available on cpa2biz.com! You can purchase the courses using the following links:

- 1) [Peer Review Update Course](#)
- 2) [Must-Select Update Course – Governmental](#)
- 3) [Must-Select Update Course – Employee Benefit Plan](#)

The peer review update course meets the ongoing training requirement for existing team and review captains for reviews that commence on or after May 1, 2016. Additionally, the must-select update courses meet the must-select training requirement for reviewers of those engagements with reviews that commence on or after May 1, 2016.

For more information on all of the revisions to the reviewer training requirements effective for reviews that commence on or after May 1, 2016, please revisit the [September Reviewer Alert](#) and the reviewer training [FAQ](#). More details can be found on the [CPE and Events webpage](#). These resources describe the changes made to the initial and ongoing training requirements for team captains and review captains as well as the new training requirements for certain must-select engagements.

You should update your resume prior to the upcoming changes effective for reviews commencing on or after December 31, 2015. You will be unable to schedule reviews that commence after December 31, 2015 unless you have marked the practice areas and industry codes applicable to your experience (for industry codes, identify ONLY your experience with engagements that require a System Review – see aicpa.org/prsystoreng for more details).

If you have already scheduled a review after December 31, 2015, you will receive a separate email with additional information about re-confirming reviewer qualifications. For more information on the upcoming changes in the guidance related to reviewer qualifications, please revisit the [June 2015 Reviewer Alert](#).

Upcoming Peer Review Webcasts

FREE 2015 RAB Training Webcast – CPE Eligible

December 1, 2015 from 2:00-4:00pm ET

This course, designed for RAB members and technical reviewers, will provide a refresher of the various roles and responsibilities of RAB members and technical reviewers. This will include an overview of the:

- guidelines for preparing for a RAB meeting,
- impact of the changes to the reviewer performance guidance,
- available monitoring actions, and
- the considerations needed for nonconforming engagements.”

[Register](#) to attend the free webcast.

Single Audit CPE Opportunities

December 3 & 4th, 2015

The Governmental Audit Quality Center (GAQC) is rebroadcasting the recently held Single Audit Fundamentals Series on December 3 and 4 and making it available to the public. This four-part webcast series focuses on the fundamentals of single audits performed under OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance). GAQC members should read *GAQC Alert #293* for registration details. Non GAQC members may register for all 4 parts or individual parts on cpa2biz.com using the links below.

[Register for all 4 parts of Single Audit Fundamental Series](#)

Register for [Part 1: What is a Single Audit? A Basic Background and Overview](#)

Register for [Part 2: The Mysteries of Major Program Determination](#)

Register for [Part 3: Understanding and Testing Compliance Requirements](#)

Register for [Part 4: Overview of Single Audit Reporting Requirements and Available Resources](#)

Please note that these webcasts do not qualify as peer reviewer must select training courses.