

# REVIEWER ALERT



## December 2016

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## What's New in the *Peer Review Program Manual (PRPM)* – December 2016 Update

Significant changes to the Peer Review Standards, Interpretations and other related guidance will become effective for reviews commencing on or after January 1, 2017. These changes impact all phases of a peer review – planning, execution and reporting. The updates will be available by late December 2016 on the [peer review website](#) and in the Online Professional Library ([OPL](#)) to subscribers.

### **Changes to Practice Aids Used During Peer Reviews**

All System and Engagement Review practice aids have been updated with the following exceptions:

- DMFC and MFCs
- Quality Control Policies and Procedures Documentation Questionnaires for Firms, and Managing Partner Questionnaire, all of which will no longer be included in the PRPM
- Engagement/supplemental checklists (which will be updated Spring 2017)

### **How to Access Zip Files of the Updated Practice Aids**

As a peer reviewer, you should download the appropriate questionnaires and checklists from the PRPM **each time you commence a review** to ensure you have the most updated practice aids. You are expected to use the most recently updated versions for each peer review you perform.

You can download zip files of all practice aids and save them to your computer from:

- the [peer review website](#) - scroll down to “Team and Review Captain Checklists (AICPA Members Only)” for the “Zip File”
- OPL (for subscribers) – “Sign in” on [aicpa.org](#), go to My Account, My Purchases and then the My Downloads tab

## **What Changed?**

As a peer reviewer, you should read recent [Reviewer Alerts](#) for changes approved at Peer Review Board (PRB) Open Sessions. The current PRPM updates were previously described in the following Reviewer Alerts:

- [November 2016 Reviewer Alert](#)
  - Modifications of Report and Representation Letter Guidance Changes
  - Alternative Practice Structure Supplemental Form for Quality Control Policies & Procedures Compliance and Design Testing
  
- [October 2016 Alert](#)
  - Enhancing Audit Quality Initiative Conforming Guidance Changes
  - Guidance Changes Related to the SSARS Omnibus – 2016
  - Technical Reviewer Acceptance of Reviews with Preparation Engagements
  - Changes From the Improving Transparency and Effectiveness of Peer Review Exposure Draft Approved at the Peer Review Board's May 2016 Meeting
  
- [June 2016 Alert](#)
  - Quality Control Checklists Changes, specifically PRP Sections:
    - 4300 and 4400, *Quality Control Policies and Procedures Documentation for Firms*, which will no longer be included in the PRPM
    - (New) 4550 and 4650, *Guidelines for Testing Compliance with Quality Control Policies and Procedures*, which should be used with updated PRP Sections 4500 and 4600, *Guidelines for Review of Quality Control Policies and Procedures*
  
- [May 2016 Alert](#)
  - Update Regarding Technical Reviewer and RAB Training

Updates were also made to Interpretation 137-1 and the RAB Handbook related to the report acceptance process, as described [here](#).

## **How Can I Learn More?**

The [2016 Peer Review Update course](#) covers these changes.

## **Feedback**

If you notice functionality issues or content errors in the PRPM, please email us at [prsupport@aicpa.org](mailto:prsupport@aicpa.org). It is possible the issue has not yet been identified and we appreciate your user input.

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## **REMINDER: Peer Review Guidance Changes Effective January 2017**

During 2016, the PRB approved significant changes to the Peer Review Standards, Interpretations and other related guidance that will become effective for reviews commencing on or after January 1, 2017. These changes impact all phases of a peer review – planning, execution and reporting. Included in the [October 2016 Reviewer Alert](#) is a detailed discussion of these changes that peer reviewers are encouraged to read. Additionally, a [new webpage](#) has been created that describes how the changes impact both review teams and firms and where further information may be obtained.

## Bookkeeping or Preparation Service?

Reviewers should be aware that firms may misunderstand when to apply the Standards for Accounting and Review Services (SSARS) No. 21 with respect to the preparation of financial statements. Accountants who are **engaged** to prepare financial statements, but are not engaged to perform audit, review or compilation of those financial statements must comply with AR-C Section 70, *Preparation of Financial Statements*.

Reviewers should consider the firm's understanding of engagements to prepare financial statements when determining the scope of the peer review. A key concept for the firm to understand is what has it been engaged (hired) to perform for the client. In a system review, if the firm performs preparation engagements, the reviewer should consider selecting an engagement from each level of service due to the increased inherent risk when a firm implements new guidance. The team captain should document this consideration and any discussion that is held with the firm regarding the preparation engagements they perform. In an engagement review, if the firm does not list any preparation engagements, the review captain should confirm with the firm their understanding of SSARS No. 21, specifically that the standard has eliminated "management's use only" compilation engagements.

If the team/review captain finds that the firm does not properly implement AR-C section 70, he or she should consider the following;

In a system review,

- The matter should, at a minimum, be documented on an MFC. Further, the team captain should consider the systemic cause, if any, in determining if the matter should be elevated to a finding or deficiency.
- The team captain should consider expanding scope to determine the systemic cause, if any.
- The team captain should identify the engagement as nonconforming and consider the firm's actions taken or planned to remediate.

In an engagement review,

- PRP section 6200 Appendix E *Areas of Common Noncompliance with Applicable Professional Standards* provides guidance to assist the reviewer in determining whether the noncompliance is a matter, finding, deficiency or significant deficiency.
- Failure to adopt current applicable standards should be considered a deficiency or significant deficiency.

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## Update on Peer Reviewer Training Courses

The on-demand self-study course for reviewers to meet the must-select training requirements for engagements subject to Government Auditing Standards is under development. This course is expected to be available in mid-to-late December. We will inform reviewers and administering entities when registration for this course is available. Please note the 2015 course is currently available but you should only select this version if you need to schedule a review immediately.

The [2016 AICPA Peer Review EBP Must-Select Update course](#) is now available for purchase at the AICPA Store. This course covers the impact of recent changes to peer review guidance and

changes in auditing or accounting standards that impact peer reviews of Employee Benefit Plan engagements.

The [2016 AICPA Peer Review Update course](#) is available for purchase at the AICPA Store. This course is an advanced reviewer training course that covers recent changes to peer review guidance in addition to how recent changes in auditing or accounting standards impact peer review. It is also one of the options that a reviewer can complete in order to maintain the qualifications of a team captain or of a review captain

As a reminder, team captains, review captains and reviewers of certain must-select engagements should complete the relevant reviewer training requirements listed on the [AICPA website](#)

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## Upcoming Peer Review Webcast

### **FREE RAB Member Training Webcast – CPE Eligible**

*A rebroadcast of the December 8, 2016 RAB Member Training Webcast will be offered January 10, 2017 from 2:00 – 4:00pm ET.*

This course, designed to provide RAB members an update on various topics related to their roles and responsibilities as RAB members. The course will cover:

- findings from recent RAB observations,
- the changes to the reviewer performance & disagreement guidance,
- considerations needed for nonconforming engagements and
- the effect of other peer review guidance changes on the RAB process.

The webcast, offered free of charge, will allow RAB members to analyze the impact of recent guidance changes including the changes to reviewer performance on the report acceptance process, evaluate responses to nonconforming engagements to ensure their appropriateness and identify the most common RAB observation comments.

To register for the webcast, click [here](#). Or copy and paste the URL in your internet web browser: [http://event.on24.com/r.htm?e=1302549&s=1&k=6297107EFFE6B0D30F68C56A13240BCA&d\\_eletecookie=true](http://event.on24.com/r.htm?e=1302549&s=1&k=6297107EFFE6B0D30F68C56A13240BCA&d_eletecookie=true)

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## Save The Date – 2017 Peer Review Conference

The AICPA Peer Review Team will host our annual conference from August 15-16, 2017, with optional sessions on August 14, in Nashville, Tennessee. Please join us in Music City!

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