

# ***Reviewer Focus***

Welcome to the March 2012 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*.

## **Attention Peer Reviewers who Perform Engagements under Yellow Book**

The Governmental Audit Quality Center (GAQC) recently issued an alert to their members (GAQC Alert No. 188) to address important changes to independence for firms that perform engagements subject to the 2011 revision of the *Government Auditing Standards* (the 2011 Yellow Book). These changes are important to auditors and we highly encourage you to proactively inform your peer review clients about these changes and resources if they perform these types of engagements. Some of these considerations need to be made now. In order to ensure that your peer review clients remain up to date on matters that may affect their practice in this arena, you may want to suggest that they review the benefits that numerous firms have received by joining the GAQC. Below is a summary of the GAQC Alert and resources, including information about a web event to be held April 11, 2012 followed by a rebroadcast on May 2, 2012, for which there will also be CPE credit.

## **GAQC Issues Yellow Book Independence – Nonaudit Services Practice Aid**

The GAQC has released a new practice aid titled, *2011 Yellow Book Independence—Nonaudit Services Documentation Practice Aid* (practice aid). It was developed to assist auditors in meeting the requirements in the [2011 revision to Government Auditing Standards](#) (the 2011 Yellow Book) for identifying and evaluating threats to independence when considering whether to provide a nonaudit service.

## ***The 2011 Yellow Book Independence Requirements***

Audits performed under audit or attestation standards established by the AICPA must comply with [Interpretation 101-3, Performance of Nonattest Services under Rule 101, Independence](#) (ET section 101.05), of the [AICPA Code of Professional Conduct](#) in determining independence when accepting an engagement to perform nonaudit services for an audit client. Audits performed under the 2011 Yellow Book have additional independence requirements.

The 2011 Yellow Book is effective for financial audits and attestation engagements for periods ending on or after December 15, 2012. **Early implementation is not permitted.** However, auditors performing nonaudit services need to be independent for the entire period. Therefore, those auditors may need to consider independence provisions of the 2011 Yellow Book prior to the effective date. For example, an auditor performing a calendar year end 2012 financial statement audit under *Government Auditing Standards* will need to comply with the new independence requirements at the beginning of the audit period—that is, January 1, 2012. For this reason, auditors considering the performance of nonaudit services should review the guidance in the practice aid now.

## **How to Access the Practice Aid**

Because of the importance of this area and to promote consistency in practice, the GAQC is releasing the practice aid in two forms as follows:

1. Flat PDF Version. All AICPA members, including GAQC members, may access a free flat PDF file of the entire practice aid. [Access the free Practice Aid.](#)
2. *Practice Aid Version Designed for Auditor Documentation Input.* Because the questionnaire template contained in the Practice Aid will be a valuable tool for auditors, the AICPA developed an electronic version of the template that auditors can prepare and save as part of their audit documentation. That is, auditors can input their responses regarding the various independence considerations outlined in the template. The template, *Yellow Book Independence—Nonaudit Services Documentation Practice Aid – Supplement*, can then be easily saved and used as part of the audit documentation. There is a small cost associated with accessing this version of the practice aid, which should be used in conjunction with the wrap-around material in the free flat PDF version (see above). The GAQC member price is \$25, the AICPA member price is \$28, and the non-member price is \$35. [Order the 2011 Yellow Book Independence – Nonaudit Services Documentation Practice Aid – Supplement.](#)

### **REGISTER NOW - Upcoming GAQC Web Events on the Practice Aid**

To assist members in becoming more familiar with the practice aid and its contents, the GAQC will host a web event titled, [Understanding the AICPA's Yellow Book Independence Practice Aid For Performing Nonaudit Services](#), on Wednesday, April 11, 2012, from 1:00pm - 3:00pm. This event is open to all AICPA members and non-members. Additionally, because they recognize some members may not be available for the live event, the GAQC will hold a rebroadcast for CPE credit on Wednesday, May 2, 2012, from 1:00pm - 3:00pm and post a no-CPE archive on the GAQC Web site. Click the link above to register for either the April 11 or the May 2 event.

If you have any questions, please contact a technical manager at 919.402.4502, option 3 or [prptechnical@aicpa.org](mailto:prptechnical@aicpa.org).

Sincerely,

The Peer Review Team  
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