

EXPOSURE DRAFT

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

Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs

June 1, 2010

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

**Comments should be received by August 31, 2010 and addressed to
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June 1, 2010

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* and related *Interpretations*. Changes to the *Interpretations* are developed and discussed in open Board meetings and do not require exposure for public comment; however, changes to the applicable *Interpretations* have been included here for review and comment as they provide clarification of revisions within the *Standards* that are a part of this exposure draft.

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 LaShaun King, Technical Manager, AICPA Peer Review Program, AICPA, 220 Leigh Farm Road, Durham, NC 27707-8110 and must be received by August 31, 2010. Electronic submissions of comments or suggestions in Microsoft Word should be sent to PR_expdraft@aicpa.org by August 31, 2010.

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 August 31, 2010 for a period of one year.

The exposure draft includes an explanatory memorandum of the proposed revisions to the current *Standards* and *Interpretations*, explanations, background and other pertinent information, as well as marked excerpts from the current *Standards* and *Interpretations* 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 Web site at <http://www.aicpa.org/InterestAreas/PeerReview/Pages/PeerReviewHome.aspx>.

Sincerely,

Dan Hevia

Dan Hevia
Chair
AICPA Peer Review Board

Gary Freundlich

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Technical Director
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Explanatory Memorandum

Introduction

There has been growing public interest in the process used to evaluate quality control materials (QCM) and continuing professional education (CPE) programs. The AICPA Peer Review Board (PRB) delegated to the National Peer Review Committee (NPRC) the responsibility for the administration of QCM and CPE peer reviews. In response to the public interest, the NPRC formed the QCM and CPE Programs Task Force which, among other things, evaluates and determines the need for enhancements to the guidance related to QCM and CPE peer reviews, including relevant portions of the *Standards for Performing and Reporting on Peer Reviews* and related *Interpretations* (collectively “*Standards*”).

Through feedback from various stakeholders, the task force identified necessary revisions to the *Standards* related to independence and scope considerations. The PRB’s Standards Task Force agreed with the need to revise the *Standards*, and recommended this exposure draft to the PRB for consideration. The PRB has approved and issued this exposure draft to propose those revisions to the *Standards*. The proposed revisions contained in this exposure draft are limited to the issues raised herein.

This proposal:

1. Revises and clarifies the guidance for those involved in the development and maintenance of QCM or CPE programs such that they are not permitted to serve on review teams to peer review firms that use those QCM or CPE programs (*user firms*). This impacts firms that develop and maintain QCM or CPE programs (*provider firms*) as well as an association of CPA firms that develop and maintain QCM or CPE programs (*provider association*).
2. Removes the provision requiring providers to undergo a triennial peer review of the system to develop and maintain QCM or CPE programs, and the resultant materials. However, providers can still elect to undergo such a review voluntarily. This is applicable for provider firms as well as provider associations.
3. Revises the procedures for performing a CPE program peer review for those providers that elect to undergo such a review. There are no changes proposed to the procedures for performing a QCM peer review, although some clarifications to those procedures are included.

Explanation of Changes to Existing Standards

1. Revises and clarifies the guidance for those involved in the development and maintenance of QCM or CPE programs such that they are not permitted to serve on review teams to peer review firms that use those QCM or CPE programs (user firms).

The PRB recognizes the significance of QCM and CPE program peer reviews, particularly those that are widely utilized by many CPA firms. Such materials usually encompass a large portion of firms' systems of quality control. The current *Standards* contain detailed guidance related to the performance of and reporting for QCM and CPE program peer reviews. That guidance discusses which types of providers are required to undergo peer reviews of their systems and materials or programs, how these types of reviews are performed and reported on, and independence concerns with respect to the review team. The PRB has revisited that guidance to evaluate whether the provisions it contains are aligned with the overall nature and objectives of the Peer Review Program.

As a result of this examination, the PRB determined that certain changes and revisions were warranted. The primary concern was clarifying the stance on independence and objectivity with respect to providers of QCM and CPE programs by making revisions to the guidance explaining who may serve on the peer review team of a user firm undergoing its triennial peer review.

Any person that is involved in the development or maintenance of a provider's QCM or CPE programs has an interest in a user firm. Because of the nature of QCM and CPE programs, a provider's success relies in part on the success of firms that use the provider's materials; by extension, the provider becomes a part of the user firm's system of quality control. Someone who participated in the development or maintenance of the materials or programs also becomes a part of the user firm's system of quality control. Further, the relationship between a provider and a user firm creates a conflict of interest with respect to the user firm, both in terms of the successfulness of the user firm and the economic dependency that a provider (and by extension, someone that is a part of the provider's system of quality control) has on its user firms. For peer review purposes, this becomes an issue when someone that is a part of the provider's system of quality control is also a peer reviewer that participates on the review team to peer review a user firm. The *Standards* define independence and objectivity in paragraph 22, stating that "the reviewing firm, the review team, and any other individuals who participate on the peer review should be free from an obligation to, or interest in, the reviewed firm or its personnel." With respect to objectivity, paragraph 22 further states "the principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest."

This issue is already recognized in Interpretation 21-1, which addresses the independence impact when a peer reviewer, for example, performs a firm's preissuance reviews or internal inspection. From a peer review independence standpoint, those types of situations are remedied by ensuring they do not occur either in the year immediately preceding or the year of peer review. However, there isn't an adequate remedy to restore independence for a reviewer involved in the development or maintenance of QCM or CPE programs used by a firm subject to review. The current guidance attempted a remedy by requiring certain types of providers to undergo a triennial peer review of their system of quality control to develop and maintain the QCM and/or CPE programs, and the resulting materials or programs. However, having such a review does not remove the potential for a lack of objectivity in fact and/or appearance on the part of a peer reviewer that is also a part of the provider's

system of quality control. The PRB concluded that the consequence of allowing a peer reviewer that is also a part of the provider's system of quality control to peer review a user firm conflicts with a peer reviewer maintaining the independence, integrity and objectivity that the *Standards* embody. This was not the intent of the PRB. The proposed revisions would conform the guidance to the underlying intent of paragraphs 21 – 22 of the *Standards*. These revisions will apply to both provider firms and provider associations.

The proposed revisions would preclude any personnel from a provider firm from participating on the review team of a firm that uses QCM or CPE programs that provider firm developed, regardless of whether the review team is formed by a different reviewing firm or by an association (association formed review team). In addition, the proposed revisions would preclude any personnel from an association member firm that participated in the development or maintenance of the association's QCM or CPE programs from serving on the review team of a firm that uses the association's QCM or CPE programs, regardless of whether the review team is formed by a different reviewing firm or by the association. In other words, a provider firm or a firm affiliated to a provider (whether a firm or association) that assisted with the development or maintenance of the materials or programs cannot participate on the peer review team of a firm that uses the materials as an integral part of its system of quality control. Further, CPA owners of a provider (whether a firm or another entity) that are also peer reviewers cannot participate on the review team of a user firm.

While the PRB has reached the above conclusions based on the information it currently has, it is still open to the viewpoints of peer review stakeholders. The PRB has developed questions that follow later in this document to which interested parties are asked to provide responses.

The proposed change affects paragraphs 156, 159, 160, and 164 of the *Standards*. It also affects Interpretations 21-1, 21-7 and 21-9.

2. Removal of the requirements for providers to undergo triennial peer reviews of the system to develop and maintain QCM or CPE programs, and of the resultant materials.

The original intent of requiring peer reviews for certain classes of providers was to mitigate potential independence impairments. Provider firms were required to undergo peer reviews of their system to develop and maintain QCM or CPE programs, and the resultant materials or programs, in order to remove potential independence concerns if the provider firm wished to peer review a user firm. Similarly, provider associations were required to undergo peer reviews of their system and resultant materials or programs to remove independence concerns amongst its member firms if those firms chose to peer review each other or if the association formed review teams. As the proposed revisions clarifies the PRB's stance on independence and objectivity with respect to these types of reviews, there was no reason to continue to require either class of provider to submit to triennial QCM or CPE program peer reviews. Instead, providers may voluntarily elect to undergo QCM or CPE program peer reviews to provide reasonable assurance to user firms that the system to develop QCM or CPE programs are reliable aids to assist them in conforming to those professional standards the materials purport to encompass, and so that peer reviewers of user firms can place reliance on the QCM or CPE program peer review to reduce the scope of planning procedures in certain situations (which includes a review of the firm's QCM or CPE programs, among other procedures).

The proposed change affects *Standards* paragraphs 159 and 160.

3. Revises the procedures for performing a CPE program peer review for those providers that elect to undergo such a review.

A CPE program is intended to increase or maintain the proficiency of an individual. The majority of CPE programs are presented as classes offered live or via the internet, with a course instructor that verbally provides much of the needed information. Any aids that are developed and used as a part of a CPE program are intended for use or reference during the CPE program, and generally cannot be used as a stand-alone aid absent the instruction or lecture it's meant to accompany. These aids can range from being very general and short to specific and lengthy. Therefore, a key component of any CPE program is the information and guidance provided by the course instructor. The delivery of information is an important difference between CPE programs and QCM (which are generally intended to be stand-alone aids for their specified purposes).

The *Standards* do not address the instruction component of CPE programs. However, they do currently require the peer reviewer to evaluate and opine on the system to develop and maintain the CPE programs and the resultant aids. The PRB considered how users rely on peer review reports of CPE programs, and whether any further reliance is gained because the report opines on both the system to develop and maintain CPE programs and the resultant CPE program aids, absent of the accompanying instruction. The PRB determined that since the instruction component of a CPE program is key to the program as a whole, users of CPE program peer review reports are not served by an opinion on the program aids alone. Further, there is no practical and efficient way that the instruction component (which is often provided verbally) can be appropriately evaluated and opined upon. Yet, a peer reviewer can evaluate and opine on the system in place to develop and maintain the CPE program, which would include evaluating the provider's process for ensuring that the appropriate information is gathered and ultimately delivered to CPE program participants. As a result, the PRB determined that the report for CPE programs should be revised to only opine on the system to develop and maintain the CPE programs, and that the peer review procedures in the *Standards* performed in support of the report should similarly be revised so that the procedures focus on the system.

The proposed revisions would result in separate yet similar procedures for peer reviews of CPE programs as compared to peer reviews of QCM. The procedures for peer reviews of QCM will continue to focus on both the system to develop and maintain the materials, and the resultant aids. The procedures for peer reviews of CPE programs will focus on the system to develop and maintain the programs; any review of aids or materials designed to be used during the program will be encompassed in the evaluation of the system and whether it was suitably designed and complied with during the period under review. The proposed revisions will also result in different report language for opining on peer reviews of CPE programs as compared to peer reviews of QCM.

The proposed change affects *Standards* paragraphs 156, 158 – 160, 166, and 168 – 173, and renumbers the paragraphs beginning with 170.

4. Other Changes

There are additional revisions throughout paragraphs 154 – 182 (as renumbered) of the *Standards* to provide clarification consistent with current practices to perform these types of reviews, fix minor

grammar errors, and correct inconsistencies between these paragraphs and the remainder of the *Standards*.

Guide for Respondents

The PRB is seeking comments specifically on the peer review relationship described in paragraph 159 of the *Standards* and whether there are any potential conflicts with the guidance provided in paragraphs 21 and 22 and related *Interpretations*. Respondents are asked to specifically respond to the following questions:

1. Do you believe that the peer review relationship currently permitted by paragraph 159 is appropriate (e.g. if Firm A develops and markets QCM or CPE programs that has been independently peer reviewed and Firm B uses those materials or programs, is it appropriate for Firm A to perform the peer review of Firm B)?
2. Are there any independence concerns that arise as a result of the peer review relationship currently permitted by paragraph 159?
 - a) If no, please explain why you do not have any independence concerns.
 - b) If yes, please list your concerns and discuss whether you believe they represent an impairment of independence in fact, appearance, or both.
 - c) If yes, do the proposed revisions appropriately address your independence concerns?
3. Do you believe that the proposed revisions are necessary to serve the main goal of the AICPA Peer Review Program (promoting quality in the accounting and auditing services provided by AICPA members and their CPA firms in order to serve the public interest and enhance the significance of AICPA membership)?
4. Is it more appropriate to have safeguards instead of prohibition? For example, using the scenario in question #1 between Firms A and B, would independence concerns be mitigated if the peer reviewers from Firm A were not involved in any way in the development or maintenance of the QCM or CPE programs? Or if there were periodic oversight of reviews performed by Firm A when the reviewed firm uses Firm A's materials or programs? Please provide your suggestions as to any appropriate safeguards you believe mitigate independence concerns.
5. If the proposed revisions are implemented, do you believe there will be a negative impact on your firm's ability to obtain QCM or CPE programs and/or ability to find qualified peer reviewers?

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed changes to wording.

When a respondent agrees with proposals in the exposure draft, it will be helpful for the PRB to be made aware of this view and the reasons for agreement.

Please limit any submitted comments to the items presented within this exposure draft.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available for public inspection at the offices of the AICPA after August 31, 2010, for one year. Responses should be sent to LaShaun King at PR_expdraft@aicpa.org and received by August 31, 2010.

Comment Period

The comment period for this exposure draft ends on August 31, 2010.

Effective Date

Unlike previous revisions to the *Standards*, the effective date for the revisions related to the removal of the provisions 1) allowing provider firms to peer review user firms and 2) requiring provider firms to undergo triennial peer reviews is based on the scheduling date (instead of commencement date). This was done to avoid unfairly impacting those firms that use QCM or CPE programs and have potentially engaged peer reviewers that the revisions prohibit from being able to perform those peer reviews in the future.

After exposure and consideration of the comments received, revisions to the *Standards* that are adopted will be effective for peer reviews scheduled on or after November 1, 2010, with the exception of the revisions to the procedures for performing CPE peer reviews (item 3 above), which are effective immediately upon issuance of the revised *Standards*.

Proposed Revisions to the Peer Review Standards

Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs

Introduction

.154 Quality control materials (QCM) are materials that are suitable for adoption by a firm as an integral part of that firm's system of quality control. Such materials provide guidance to assist firms in performing and reporting in conformity with professional standards and may include, but are not limited to, such items as:

a. Engagement aids, including accounting and auditing manuals, checklists, questionnaires, work programs, computer-aided accounting and auditing tools, and similar materials intended for use by accounting and auditing engagement teams

b. Personnel manuals, inspection checklists, hiring forms, ~~and~~ client acceptance and continuance forms, and other materials related to the functional areas of quality control.

.155 Occasionally, organizations (hereinafter referred to as *providers*) may sell or otherwise distribute to CPA firms (hereinafter referred to as *user firms*) QCM that they have developed. They may also sell or distribute CPE programs that they have developed.

.156 Providers may elect voluntarily ~~or be required (see paragraph 159)~~ to have an independent review of their system of quality control for the development and maintenance of the QCM ~~or CPE programs~~ they have developed, and of the materials themselves. Providers may also elect to have an independent review of their system of quality control for the development and maintenance of the CPE programs they have developed. The reasons for having such a review include but are not limited to:

a. Providing reasonable assurance ~~To provide~~ assurance to user firms that the system used by the provider to develop and maintain QCM or CPE programs they ~~have~~ is appropriately designed and complied with, and that the QCM themselves they acquire are reliable aids to assist them in conforming to those professional standards the materials purport to encompass.

b. Providing ~~To provide~~ more cost-effective peer reviews for firms that ~~acquire~~ have acquired or use such materials by allowing the peer reviewers of user firms to place reliance on the QCM or CPE review to reduce the scope of the review of the user firm's QCM or CPE programs in certain situations (see Interpretations).

c. Providing reasonable assurance

e. ~~To ensure~~ that independence and objectivity on peer reviews of user firms is maintained when such peer reviews are performed by ~~providers or other~~ user firms in the same association of CPA firms.

.157 A summary of the nature, objectives, scope, limitations of, and procedures performed on QCM or CPE programs is included in appendix A.

Objectives of a Peer Review of QCM or CPE Programs

.158 The ~~objective~~ objectives of a peer review of QCM or CPE programs developed by a provider is determining ~~are:~~

a. ~~To determine~~ whether the provider's system for the development and maintenance of the QCM or the CPE programs was suitably designed and was being complied with during the period under review to provide user firms with reasonable assurance that the materials or programs are reliable aids to assist them in conforming with those professional standards the materials or programs purport to encompass.

~~In addition, a peer review of QCM has the further objective of determining~~~~b. To determine~~ whether the resultant materials are reliable aids.

Applicability

~~.159~~ An independent review of the system for the development and maintenance of QCM or CPE programs ~~(and the resultant materials (the QCM peer review or CPE programs peer review) and the resultant materials (QCM peer review only))~~ is ~~voluntary~~~~required~~ for ~~all providers~~. ~~The following~~ classes of providers ~~include~~:

~~a.~~ A firm providing QCM or CPE programs to ~~other firms~~ ~~another firm for which the provider firm will perform the peer review~~

~~b.~~ An association of CPA ~~firms providing QCM or CPE programs~~

~~c.~~ A third party organization that provides QCM or CPE programs ~~as firms' provider when a primary function of its business~~ ~~user firm in the association will perform a peer review of another user firm in the association~~

~~.160~~ A provider of QCM or CPE programs ~~that voluntarily elects to have such a review falling into either of these categories~~ should ~~consult with the National PRC~~ ~~have a QCM or CPE review~~ ~~should ordinarily occur~~ once every three years, ~~be and should arrange to have such a peer review~~ administered by the National PRC, ~~and be~~ performed in accordance with these standards. In the event of substantial change in the system for the development and maintenance of the materials or in the resultant materials, the provider should consult with the National PRC to determine whether an accelerated peer review is warranted.

~~.161~~ ~~Providers~~ ~~Any other provider of QCM or CPE programs~~ that voluntarily ~~elects~~~~elects~~ to have a ~~peer QCM or CPE review~~ ~~under performed in accordance with these standards~~ ~~must comply with all provisions~~~~should also consult with the National PRC~~. ~~A provider may have a review voluntarily so that peer reviewers of user firms can place reliance on the QCM or CPE review to reduce the scope of the review of the firm's QCM or CPE programs.~~

~~.162~~ A QCM or CPE review under these standards may not include materials relating to audits of SEC issuers performed pursuant to the standards of the PCAOB.

~~.163~~ All providers that plan to have a QCM or CPE review performed in accordance with these standards must notify the National PRC in advance of that review so ~~that the review team can be approved and the review~~ ~~it~~ can be appropriately scheduled. ~~Once~~~~If~~ a QCM or CPE review has commenced, providers must also notify the National PRC before a review is terminated prior to completion.

Qualifications for Serving as QCM or CPE Peer Reviewers

~~.164~~ A QCM or CPE review team may be formed by a firm engaged by the provider under review or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team). Peer reviews of association QCM or CPE programs may not be performed by a member of the association whose materials or programs are being reviewed. ~~The QCM or CPE review team is not considered qualified until approved by the NPRC.~~ Furthermore, the National PRC will not appoint to the QCM or CPE review team a person with a firm that is a member of the association or a person or firm that may have a conflict of interest with respect to the QCM or CPE review, such as someone who assisted in the development or review of such materials, or uses the materials as an integral part of ~~their the~~ firm's system of quality control ~~(see Interpretations)~~. ~~Final approval of QCM or CPE review teams is at the NPRC's discretion.~~

~~.165~~ A QCM or CPE reviewer shall possess the qualifications set forth in the paragraphs under "Organizing the System or Engagement Review Team" and "Qualifying for Service as a Peer Reviewer" (see paragraphs 26–35).

Procedures for Performing QCM Provider~~or CPE~~ Reviews

.166 The provider should identify the materials ~~subject, whether QCM or CPE program materials,~~ to ~~review~~be reviewed and ~~covered by the on which an opinion is to be expressed.~~ A QCM ~~or CPE~~ review should include a study and evaluation of the system for the development and maintenance of the QCM ~~or CPE~~ program that have been identified and a review of the materials themselves. Where not otherwise addressed in the following list, the peer reviewer should refer to the guidance for performing and reporting on System Reviews (see paragraphs 36–101) and accepting System and Engagement Reviews (see paragraphs 132–140) for additional guidance on performing, reporting on, and accepting QCM ~~and CPE~~ reviews.

.167 A provider’s system for the development and maintenance of the materials normally should include:

a. A requirement that the materials be developed by individuals qualified in the subject matter.

b. A requirement that the materials be reviewed for technical accuracy by a qualified person(s) other than the developer(s) to ensure that the materials are reliable aids to assist users in conforming to those professional standards the materials purport to encompass.

c. Procedures to ensure the currency and relevancy of the materials.

d. Procedures for soliciting and evaluating feedback from users of the materials.

e. Procedures for communicating the period and, where appropriate, the professional standards encompassed by the materials, and the provider’s policy, if any, regarding the issuance of updates to the materials and, if a policy exists, the method of updating.

f. Procedures for ensuring that the materials are updated in accordance with the provider’s policy when it has undertaken to update them.

.168 A study and evaluation of the system for the development and maintenance of the materials normally should include the following procedures:

a. Reviewing and evaluating the procedures established for developing and maintaining the materials.

b. Reviewing and evaluating the procedures established for updating (including distributing) the materials to ensure that the materials remain current and relevant when the provider has undertaken the responsibility for updating the materials. ~~(and for communicating any relevant changes in professional standards to program participants if new professional standards are issued prior to updating the CPE programs).~~

c. Reviewing the technical competence of the developer(s) or updater(s) of the materials.

d. Obtaining evidence that the materials were reviewed for technical accuracy by qualified person(s) other than the developer(s) or updater(s).

e. Determining whether the provider has appropriately communicated its policy regarding the period covered by the materials, the professional standards the materials purport to encompass, and the provider’s intention to update the materials.

f. Reviewing the system developed for soliciting and evaluating feedback from users of the materials.

.169 ~~The scope of the~~A QCM ~~peer~~~~or CPE~~ review ~~includes all of~~~~team should review~~ the resultant materials ~~covered in, to~~ the ~~opinion~~~~extent deemed necessary~~, to evaluate whether the materials are reliable aids to assist firms in conforming to those professional standards the materials purport to encompass. The extent to which individual manuals, guides, checklists, etc. are reviewed is subject to the peer review team’s judgment and should be documented in the risk assessment.

Procedures for Performing CPE Provider Reviews

.170 A CPE review should include a study and evaluation of the system for the development and maintenance of the CPE programs. Where not otherwise addressed in the following list, the peer reviewer should refer to the guidance for performing and reporting on System Reviews (see paragraphs 36–101) and accepting System and Engagement Reviews (see paragraphs 132–140) for additional guidance on performing, reporting on, and accepting CPE reviews.

.171 A provider’s system for the development and maintenance of the programs normally should include:

a. A requirement that the programs be developed by individuals qualified in the subject matter.

b. A requirement that the programs be reviewed for technical accuracy by a qualified person(s) other than the developer(s) to ensure that the programs are reliable aids to assist users in conforming to those professional standards the programs purport to encompass.

c. Procedures to ensure the currency and relevancy of the programs.

d. Procedures for soliciting and evaluating feedback from users of the programs.

e. Procedures for communicating the period and the professional standards encompassed by the programs (and for communicating any relevant changes in professional standards to program participants if new professional standards are issued prior to revising the CPE programs).

f. Procedures to ensure that instructors are qualified with respect to the program content and subject matter, and to evaluate the instructor’s performance on a periodic basis.

.172 A study and evaluation of the system for the development and maintenance of the programs normally should include the following procedures:

a. Reviewing and evaluating the procedures established for developing and maintaining the programs.

b. Reviewing and evaluating the procedures established to ensure the programs are current and relevant.

c. Reviewing the technical competence of the programs’ developer(s).

d. Obtaining evidence that the programs were reviewed for technical accuracy by qualified person(s) other than the developer(s).

e. Determining whether the provider has appropriately communicated its policy regarding the period covered by the programs and the professional standards they purport to encompass.

f. Reviewing the system developed for soliciting and evaluating feedback from users.

g. Reviewing the technical competence and qualifications of the program instructors.

.173 A CPE review team should make a risk-based selection of programs offered during the year and review them, to the extent deemed necessary, to evaluate whether the system to develop and maintain the CPE programs was complied with by determining that the CPE programs selected are an accurate reflection of the professional standards the programs purport to encompass, in all material respects. The extent to which individual manuals, guides, checklists, etc. are reviewed is subject to the peer review team’s judgment and should be documented in the risk assessment.

Reporting on QCM or CPE Reviews

General

~~.174170~~ The QCM or CPE review team should furnish the provider with a written report and the final FFC forms within 30 days of the date of the exit conference or by the provider's review due date, whichever is earlier. A report on a review performed by a firm is to be issued on the letterhead of the firm performing the review. A report by a review team formed by an association of CPA firms is to be issued on the letterhead of the firm of the team captain performing the review. The report in a QCM or CPE review ordinarily should be dated as of the date of the exit conference. See interpretations for guidance on notification requirements and submission of peer review documentation to the administering entity.

Preparing the Report in a QCM or CPE Review

~~.175171~~ The standard forms for a peer review report on QCM ~~or CPE programs~~ with a peer review rating of *pass*, *pass with deficiencies*, and *fail* are included in appendixes R, "Illustration of a Report With a Peer Review Rating of *Pass* in a Peer Review of Quality Control Materials ~~or CPE Programs~~;" S, "Illustration of a Report with a Peer Review Rating of *Pass with Deficiencies* in a Peer Review of Quality Control Materials ~~or CPE Programs~~;" and T, "Illustration of a Report with a Peer Review Rating of *Fail* in a Peer Review of Quality Control Materials," respectively. The standard form for a peer review report on CPE programs with a peer review rating of *pass*, *pass with deficiencies*, and *fail* are included in appendixes U, "Illustration of a Report With a Peer Review Rating of *Pass* in a Peer Review of CPE Programs;" V, "Illustration of a Report with a Peer Review Rating of *Pass with Deficiencies* in a Peer Review of CPE Programs;" and W, "Illustration of a Report with a Peer Review Rating of *Fail* in a Peer Review of ~~or~~ CPE Programs," respectively. Additional paragraphs included for scope limitations follow the illustrations for System Reviews with scope limitations (see appendixes D, G, and K).

~~.176172~~ A QCM or CPE report with a rating of *pass*, *pass with deficiencies*, or *fail* shall contain elements similar to those in a System Review report. As such, the written report in a QCM or CPE System Review should:

a. State at the top of the page the title "Quality Control Materials Review Report" or "CPE Programs Review Report."

b. ~~In a QCM report, state~~State that the system of quality control for the development and maintenance of the materials and the resultant materials in effect at the year-end covered by the peer review were reviewed.

c. In a CPE report, state that the system of quality control for the development and maintenance of the programs in effect at the year-end covered by the peer review was reviewed.

c. State that the peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants.

d. State that the organization is responsible for designing a system of quality control and complying with it to provide users of the materials or programs with reasonable assurance that the materials or programs are reliable aids to assist them in performing and reporting in conformity with ~~applicable professional standards in all material respects~~ those professional standards that the materials or programs purport to encompass, in all material respects.

e. State that the reviewer's responsibility is to express an opinion on the design of the system of quality control and the organization's compliance therewith based on the review.

f. State that the nature, objectives, scope, limitations of, and procedures performed in a Quality Control Materials review or CPE review are described in the standards.

g. Include a URL reference to the AICPA Web site where the standards are located.

h. Identify the different peer review ratings that the ~~provider~~organization could receive.

i. In a report with a peer review rating of *pass*:

- Express an opinion that the system of quality control for the development and maintenance of the quality control materials or CPE ~~programs~~program was suitably designed and was being complied with during the

year ended to provide users of the materials or programs with reasonable assurance that the materials are reliable aids to assist them in conforming with those professional standards the materials purport to encompass.

- Express an opinion that the quality control materials ~~or CPE program~~ were reliable aids at the year-end (OCM report only):-
- State at the end of the opinion paragraph that therefore the report reflects a peer review rating of *pass*.
- Include an additional paragraph, in~~In~~ the event of a scope limitation, ~~include an additional paragraph~~ before the opinion paragraph that describes the scope limitation, including the relationship of the excluded steps to the full system, and the affect on the scope and results of the review.
- Do not include~~Reports with a peer review rating of pass do not contain~~ any findings, deficiencies, significant deficiencies, or recommendations.

j. In a report with a peer review rating of *pass with deficiencies*:²⁰

- Express an opinion that, except for the deficiencies described above, the system of quality control for the development and maintenance of the quality control materials or CPE programs~~program~~ was suitably designed and was being complied with during the year ended to provide users of the materials with reasonable assurance that the materials or programs are reliable aids to assist them in conforming with those professional standards the materials purport to encompass.
- State at the end of the opinion paragraph that therefore the report reflects a peer review rating of *pass with deficiencies*.
- Include an additional paragraph, in~~In~~ the event of a scope limitation, ~~include an additional paragraph~~ before the deficiencies that describes the scope limitation, including the relationship of the excluded steps to the full system, and the affect on the scope and results of the review.

k. In a report with a peer review rating of *fail*:

- Express an opinion that as a result of the significant deficiencies described above, the system of quality control for the development and maintenance of the quality control materials or CPE programs~~program~~ was not suitably designed and being complied with during the year ended to provide users of the materials with reasonable assurance that the materials or programs are reliable aids to assist them in conforming with those professional standards the materials purport to encompass.
- State at the end of the opinion paragraph that therefore the firm has received a peer review rating of *fail*.
- Include an additional paragraph, in~~In~~ the event of a scope limitation, ~~include an additional paragraph~~ before the significant deficiencies that describes the scope limitation, including the relationship of the excluded steps to the full system, and the affect on the scope and results of the review.

l. Include, for reports with a peer review rating of *pass with deficiencies* or *fail*, systemically written descriptions of the deficiencies or significant deficiencies and the reviewing firm's recommendations (each of these should be numbered).

m. Identify, for any deficiencies or significant deficiencies included in the report with a peer review rating of *pass with deficiencies* or *fail* any that were also made in the report²¹ issued on the organization's previous peer review. This should be determined based on the underlying systemic cause of the deficiencies or significant deficiencies.

Forming Conclusions on the Type of Report to Issue in a QCM or CPE Review

.177473 The following circumstances ordinarily would be considered deficiencies or significant deficiencies and would require a report with a peer review rating of *pass with deficiencies* or *fail*:

↓

~~a.a. The scope of the review is limited by conditions that preclude the application of one or more review procedures considered necessary.~~

~~b.~~ The provider's system of quality control for the development and maintenance of QCM or CPE programs, as designed, did not provide user firms with reasonable assurance that reliable aids had been developed to assist them in conforming with those professional standards the materials purport to encompass.

~~b.e.~~ The degree of compliance with the provider's system of quality control for the development and maintenance of QCM or CPE programs was not sufficient to provide user firms with reasonable assurance that reliable aids had been developed to assist them in conforming with those professional standards the materials purport to encompass.

~~c.d.~~ The resultant QCM ~~or CPE programs~~ are not reliable aids to assist user firms in conforming to those professional standards the materials purport to encompass (QCM review only).

.178474 In those instances in which the QCM or CPE review team determines that a report with a peer review rating of *pass with deficiencies* or *fail* is required, all the reasons should be disclosed, and the QCM or CPE review team should consult with the National PRC prior to the issuance of the report.

Provider Responses on QCM and CPE Program Reviews

.179475 If the provider receives a report with a peer review rating of *pass with deficiencies* or *fail*, then the provider should respond in writing to the deficiencies and significant deficiencies and related recommendations identified in the report, if applicable. The letter of response should be addressed to the AICPA ~~National PRC Peer Review Board~~ and should describe the action(s) planned (including timing) or taken by the provider with respect to each deficiency in the report. If the provider disagrees with one or more of the deficiencies or significant deficiencies, its response should describe the reasons for such disagreement. In the event that a material error or omission in the QCM or CPE programs is uncovered by the QCM or CPE review team, the response also should describe the provider's plan for notifying known users of that error or omission. The provider should submit the letter of response for review and comment to the team captain prior to submitting the response to the National PRC.

.180476 The provider should submit a copy of the report and its letter of response to the National PRC within 30 days of the date it received the report or by the provider's peer review due date, whichever date is earlier. Prior to submitting the response to the National PRC, the reviewed firm should submit the response to the team captain for review, evaluation, and comment. If the provider receives a report with a peer review rating of *pass* or *pass (with a scope limitation)*, a letter of response is not applicable, and the provider does not submit a copy of the report to the National PRC.

.181477 The provider should also respond on the FFC forms, if any are developed, to findings and related recommendations. These responses should describe the plan (including timing) the provider has implemented or will implement with respect to each finding. They should be submitted to the team captain no later than two weeks after the exit conference or by the peer review's due date, whichever is earlier. FFC forms are submitted by the team captain with the applicable working papers to the National PRC.

.182478 If, after a discussion with the team captain, the provider disagrees with one or more of the findings, deficiencies, or significant deficiencies, the reviewed firm should contact the administering entity for assistance in the matter (see paragraph 93). If the provider still disagrees with one or more of the findings, deficiencies, or significant deficiencies, its response on either the FFC form or in the letter of response, as applicable, should describe the reasons for such disagreement.

Appendix A

Summary of the Nature, Objectives, Scope, Limitations of, and Procedures Performed in System and Engagement Reviews and Quality Control Materials and Continuing Professional Education Program Reviews (as Referred to in a Peer Review Report) [excerpted]

Quality Control Materials or CPE Program Reviews

17. A Quality Control Materials (QCM) or CPE Program Review is a type of peer review that is a study and appraisal by an independent evaluator(s) (known as a *peer reviewer*), of an organization's (hereinafter referred to as *provider*) system of quality control to develop and maintain accounting and auditing quality control materials or continuing professional education programs. Materials or programs designed to aid practitioners with tax or other services is outside of the scope of this type of review. ~~quality control materials ("materials").~~ The system represents the provider's policies and procedures that the provider has designed, and is expected to follow, when developing the materials or programs. The peer reviewer's objective is to determine whether the system is designed and whether the organization is complying with its system appropriately so that users of the materials or programs (primarily CPA firms and their employees) know that they can rely on the them. For instance, materials. ~~The~~ materials can be part or all of a firm's documentation of their system, such as in the form of, for example, manuals, programs, and practice aids (forms and questionnaires). As such, the users rely on the materials to assist them in performing and reporting in conformity with professional standards (as described in the preceding paragraphs) in conducting their accounting and auditing practices.

18. A QCM or CPE review is similar to a System Review. ~~However however,~~ the focus is on the system for developing the materials, instead of on the system for the performance of accounting and auditing work. A reviewer obtains an understanding of the design of the provider's system, including its policies and procedures and how the provider checks itself that it is complying with them. The reviewer obtains this understanding through inquiry of provider personnel and review of documentation on the system. In a QCM review, the ~~The~~ reviewer also reviews the materials to determine if they are reliable. The objectives of obtaining an understanding of the system and then reviewing the materials forms the basis for the reviewer's conclusions in the peer review report.

19. The extent of a provider's policies and procedures and the manner in which they are implemented will depend upon a variety of factors, such as the size and organizational structure of the provider and the nature of the materials provided to users. Variance in individual performance and professional interpretation affects the degree of compliance with prescribed quality control policies and procedures. Therefore, adherence to all policies and procedures in every case may not be possible.

20. When a provider receives a QCM or CPE review report from a peer reviewer with a peer review rating of *pass*, this means the system is designed and being complied with appropriately to provide users of the materials with reasonable assurance that the materials are reliable. If a provider receives a report with a peer review rating of *pass with deficiencies*, this means the system is designed and complied with appropriately to provide users of the materials with reasonable assurance that the materials are reliable, except in certain situations that are explained in detail in the peer review report. When a provider receives a report with a peer review rating of *fail*, the peer reviewer has determined that the provider's system is not suitably designed or being complied with to provide users of the materials with reasonable assurance that the materials are reliable, and the reasons why are explained in detail in the report.

21. There are inherent limitations in the effectiveness of any system and, therefore, noncompliance with the system may occur and not be detected. A QCM or CPE peer review is based on judgmental selective review of the materials. It is directed at assessing whether the design of and compliance with the provider's system provides the provider with reasonable, not absolute, assurance of the materials conforming with the professional standards they purport to encompass. Consequently, it would not necessarily detect all weaknesses in the system, all instances of noncompliance with it, or that each aspect of the materials is accurate or reliable. Projection of any evaluation of a system to future periods is subject to the risk that the system may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Appendix U

Illustration of a Report with a Peer Review Rating of *Pass* in a Peer Review of Continuing Professional Education Programs

Continuing Professional Education Programs System Review Report

April 30, 20XX

Executive Board
XYZ Organization
and the National Peer Review Committee

We have reviewed the system of quality control for the development and maintenance of the continuing professional education programs (hereafter referred to as *programs*) of XYZ Organization (the organization) in effect at December 31, 20XX. Our continuing professional education peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The organization is responsible for designing a system of quality control and complying with it to provide users of the programs with reasonable assurance that the programs developed under the system of quality control are reliable aids to assist them in conforming with those professional standards that the programs purport to encompass. Our responsibility is to express an opinion on the design of the system and the organization's compliance with that system based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a Continuing Professional Education Programs Review are described in the standards at www.aicpa.org/prsummary.

In our opinion, the system of quality control for the development and maintenance of the continuing professional education programs of the XYZ Organization was suitably designed and was being complied with during the year ended December 31, 20XX, to provide users of the programs with reasonable assurance that the programs developed under the system of quality control are reliable aids to assist them in conforming with those professional standards the programs purport to encompass. Organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. XYZ Organization has received a peer review rating of *pass*.

ABC & Co.¹

¹ The report should be signed in the name of the team captain's firm for firm-on-firm reviews or association formed review teams.

Proposed Revisions to the Peer Review Interpretations

21-1 *Question*—Paragraph .21 of the standards states that independence in fact and in appearance should be maintained with respect to the reviewed firm by a reviewing firm, by review team members, and by any other individuals who participate in or are associated with the review and that the review team should perform all peer review responsibilities with integrity and maintain objectivity in discharging those responsibilities. What criteria have been established by the board?

Interpretation—c. Relationships With the Reviewed Firm

Reviewing firms should consider any family or other relationships between the management at organizational and functional levels of the reviewing firm, affiliate relationships, and common ownership of entities that provide products or services and the firm to be reviewed, and should assess the possibility of an impairment of independence.

If the fees for any services provided between firms, whether paid by the referring firm or by the client, involving the reviewed firm and the reviewing firm or the firm of any member of the review team are material to any of those firms, independence for the purposes of this program is impaired.

If arrangements exist between the reviewed firm and the reviewing firm or the firm of any member of the review team whereby expenses, office facilities, or personnel are shared, independence for the purposes of this program is impaired. Similarly, independence would be considered to be impaired by sharing arrangements involving, for example, frequent CPE programs, extensive consultation, preissuance reviews of financial statements and reports, or audit and accounting manuals. In such circumstances, the firms involved are sharing materials and services that are an integral part of their systems of quality control. ~~However, the impairment would be removed if an independent peer review was made aware of the shared materials (such as CPE programs or an audit and accounting manual) before the peer review commenced and if that independent peer review was accepted by an approved body (determined by the board) before that date.,,~~

If the reviewed firm uses quality control materials (QCM) or CPE programs that any member of the review team helped to develop or maintain, the independence of the reviewing firm is impaired. Development and maintenance activities with respect to QCM and CPE programs include but are not limited to authoring or writing the materials and programs or any portion thereof, performing technical reviews, assessments or evaluations of the materials and programs, performing any type of editorial services on the materials and programs, etc. This is applicable regardless of whether the materials or programs are provided by a CPA firm, association, or any other type of entity. Additionally, if an entity that develops and maintains materials or programs is affiliated with a reviewing firm, the independence of the reviewing firm to peer review a firm that uses those materials is impaired.

21-7 *Question*—Firm A has an arrangement with Firm B whereby Firm A sends its staff to CPE programs developed by Firm B. Can Firm B perform a peer review of Firm A?

Interpretation—No, ~~unless Firm B has had its CPE programs peer reviewed by an independent party (see standards for guidance in “Performing and Reporting on Peer Reviews of Quality Control Materials (QCM) and Continuing Professional Education (CPE) Programs”). If such a peer review is not undertaken and reported on before the peer review of Firm A commences, Firm B would not be considered independent for purposes of conducting the peer review of Firm A. In addition, peer reviewers from Firm B cannot serve on Firm A’s review team.~~ However, occasional (infrequent and not part of Firm A’s regular CPE training plan) attendance by representatives of Firm A at programs developed by Firm B would not preclude Firm B from reviewing Firm A.

21-9 *Question*—Firm B uses Firm A’s accounting and auditing manual as its primary reference source. Can Firm A perform a peer review of Firm B, or can Firm B perform a peer review of Firm A?

Interpretation—No, ~~unless Firm A has had its accounting and auditing manual and any other of its reference material used by Firm B as a primary reference source peer reviewed by an independent party.~~

~~The peer review of the materials should be similar to the review of quality control materials in associations and should meet the same peer review performance and reporting standards. If such a peer review is not undertaken and reported on before the peer review commences, Firm A would not be considered independent for purposes of conducting the peer review. In addition, no peer reviewers from Firm A can serve on Firm B's review team. In addition, if Firm B uses the manual as an integral part of its system of quality control, it would be precluded from performing the peer review of Firm A. However, if the manual is used only as a part of the firm's overall reference library (not an integral part of Firm B's system of quality control), independence would not be impaired. This interpretation also applies to providers of quality control materials or CPE programs.~~

21-20 Question—Firm A purchases an accounting and auditing manual developed by an association that it belongs to as its primary reference source. Personnel from Firm B that are also peer reviewers aided the association with the development of the manual by authoring sections of the materials. The association forms review teams for its member firms. Can the association include reviewers from Firm B on the review team to peer review Firm A?

Interpretation—No, peer reviewers from Firm B would not be considered independent for purposes of serving on the peer review team for Firm A. This is applicable for both association-formed review teams and firm-on-firm review teams. However, if the manual is used only as a part of the firm's overall reference library (not an integral part of Firm A's system of quality control), independence would not be impaired.

26-1 Question—Paragraph .26 of the standards states that a review team may be formed by a firm engaged by the firm under review (a firm-on-firm review) or an association of CPA firms authorized by the board to assist its members in forming review teams (an association formed review team). What criteria have been established by the board for association formed review teams?

Interpretation—Associations of CPA firms include any group, affiliations, or alliances of accounting firms. The term also applies to two or more firms or a group of firms (whether a formal or informal group) that jointly market or sell services.

A member firm of an association may conduct a peer review of another association-member firm enrolled in the program, provided that the association receives annual approval from the board. The National PRC administers this process on behalf of the board. The association must submit an AIF to the National PRC that must be approved by the board prior to any aspect of the review being planned, scheduled, or performed.

The AIF contains questions regarding general information about the association, independence matters, and whether the association requests to be approved to assist its members in the formation of review teams, provide technical assistance to such review teams, or do both. All review teams must still be approved by the administering entity. The AIF is subject to oversight by the board.

The approval of the AIF specifically relates to AICPA members of an association having the ability to perform peer reviews of other AICPA members in the same association enrolled in the program. Furthermore:

- a. Annual approval of the AIF does allow, where the association has answered the specific questions making such a request, the association the ability to assist its members in the formation of review teams (association formed review teams) or to provide technical assistance to such review teams.
- b. The reviewed firm and administering entity, not the association, is ultimately responsible for ensuring that its peer review is scheduled, performed, and completed in a timely manner.
- c. Annual approval of the AIF does not grant the association the authority to administer the program; therefore, the association is not deemed an approved administering entity.

d. Approval of the AIF is not an endorsement of, approval of, or has any applicability to a separate peer review program that an association may conduct or administer for non-AICPA members.

e. If the association makes any representations (in brochures, directories, pamphlets, Web pages, or any marketing or selling materials regarding its member firms in obtaining engagements) such representations are objective and quantifiable.

For a member firm of an association to conduct peer reviews of another association-member firm enrolled in the program, in addition to other peer review independence requirements, the association and its member firms must meet the following independence criteria:

a. The association, as distinct from its member firms, does not perform any professional services other than those it provides to its member firms or affiliates. For purposes of this requirement, *professional services* include accounting, tax, personal financial planning, litigation support, and professional services for which standards are promulgated by bodies designated by AICPA Council.

b. The association does not make representations regarding the quality of professional services performed by its member firms to assist member firms in obtaining engagements unless the representations are objective or quantifiable. However, member firms may independently publicize their membership in the association. In addition, an association may respond to inquiries and prepare promotional materials that firms may use to obtain professional engagements on their own behalf.

c. Referral or participating work among member firms is arranged directly by the firms involved.

d. The association does not have any direct or material indirect financial interest or involvement in its member firms in sharing fees generated by members through the sale of products or services.

e. The association does not exercise any direct or indirect management control over the professional or administrative functions of its member firms.

~~An For a member firm of an association may voluntarily elect to have an independent triennial conduct a peer review of its system of quality control to develop and maintain another association member firm enrolled in the program when quality control materials or CPE programs used by its member firms members constitute association materials, the association shall arrange for an independent triennial peer review of those materials (see paragraphs .154-.182-.178 of the standards). An association may wish to have such a review to enable its member. Therefore, firms that use the materials or programs it develops to have more efficient peer reviews. Associations that elect to have this type of review should share such materials are advised to consult with AICPA program staff if an independent review of the shared materials appears necessary.~~

An association formed review team,

a. requires that a majority of the review team members, including the team captain in a System Review, and all members in an Engagement Review, be from association member firms.

b. performs peer reviews in accordance with these standards, interpretations, and other guidance and the peer review report is issued on the letterhead of the team captain or review captain's firm and signed in the name of the team captain or review captain's firm (not the association).

Peer reviews performed by association-formed review teams are subject to oversight by the board and the administering entities and other bodies agreed upon by the board and the administering entity.

42-2 Question—Many firms rely on third party quality control materials (QCM) and continuing professional education (CPE) programs as integral portions of the firm's system of quality control. As the system for developing and maintaining the third party materials lies outside of the reviewed firm, how should the review team evaluate the adequacy of the materials relied upon by the reviewed firm?

Interpretation—The review team should determine whether a provider of QCM or CPE programs had an independent peer review. This type of review would entail an assessment of the provider’s system to develop and maintain the QCM or CPE programs, and in a QCM review, include an assessment of—and the resultant materials. Since the review team ordinarily assesses the suitability of the QCM or CPE programs as a part of its evaluation of the design of the reviewed firm’s system of quality control, placing reliance on the provider’s peer review results affects the assessment of peer review risk and impacts the nature, timing, and extent of the review team’s evaluation of the firm’s system of quality control. The review team should obtain the peer review results (i.e. the report, LOR (if applicable), etc.) to consider the impact on the reviewed firm’s system of quality control. The provider’s peer review results may be obtained from either the AICPA’s website, the provider’s website or from the reviewed firm.

- If the provider received a pass report, then the review team can place reliance on the provider’s peer review results with respect to that portion of the reviewed firm’s design of its system.
- If the provider received a pass with deficiencies report, the review team should consider the reasons for the deficiencies identified in the report and assess their relevance to the reviewed firm. Once this assessment is made, the review team can determine the degree of reliance it can place on the provider’s results.
- If the provider received a fail report, no reliance can be placed on the results, and the review team should determine the impact on the reviewed firm’s system of quality control.

Peer reviews of providers of QCM or CPE programs generally occur on a triennial basis. If the report date is three years or older, it loses its usability and no reliance can be placed upon it.

In addition, the review team should consider 1) the version date of the materials relative to the period covered by the report, and 2) the amount of time that’s passed since the period covered by the report in determining the degree of reliance that can be placed on the report. Factors to consider include:

- The issuance of new standards
- Changes in regulatory requirements
- Changes in economic conditions that impact the provider
- Limitations or restrictions on authors of the materials
- Any substantial changes to the materials used by the firm

Regardless of the degree of reliance placed on the provider’s peer review results, the review team is still responsible for determining which forms, checklists, programs, etc. are used by the reviewed firm as a part of its system of quality control. how often the materials are updated, the degree of reliance placed on the materials, and assessing compliance with their use. The results of the provider’s peer review should weigh in the assessment of control risk, and be documented in the risk assessment.

If a ~~peer review of the system to develop and maintain the~~ QCM or CPE ~~peer review~~ programs and the resultant materials was not performed, the review team will need to perform its own evaluation to determine if the materials or programs were suitably designed. This includes third party materials as well as materials that were designed by the reviewed firm. This evaluation is a part of the review team’s overall assessment of the design of the reviewed firm’s system of quality control, and should be documented in the risk assessment.

For additional information on peer reviews of QCM or CPE programs, please see paragraphs .154-.182, and Appendix A of the Standards.