REVIEWER ALERT

August 2017

This Reviewer Alert contains the following articles:

Common Errors: Peer Review Report and Firm Representation Letter

With the latest changes to the Peer Review Standards, Interpretations, and other related guidance in January 2017, we would like to call your attention to some common errors identified by technical reviewers in peer review work paper submissions. To minimize requests for revisions, thereby reducing delays in the peer review process, please consider whether the report or representation letter have been tailored to include:

- indication of whether **single or multiple** engagements were reviewed in the first paragraph under the heading "**Required Selections and Considerations**" (Refer to PRP Section 1000 para. .96 sub-letter *i.,* as well as the various illustrative reports).
- the statement, "**As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.** ", as illustrated in the second paragraph under the heading "**Required Selections and Considerations**" (Refer to PRP Section 1000 para. .96 sub-letter *j.,* as well as the various illustrative reports).
- the paragraph that confirms a firm will remediate nonconforming engagements as stated by the firm within the MFC, FFC or LOR, as applicable (Refer to PRP Section 1000 para. .208 number 8. sub-letter *c., i.,* as well as the various illustrative representation letters). *

*In the September PRPM update, brackets will be placed after "in our response to" within the Illustrative Representation Letters that include this representation. This should alert the firm to tailor the paragraph accordingly.

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PRIMA Resource Web page on aicpa.org

The PRIMA web page on aicpa.org is a great resource for firms and Peer Reviewers. It can be accessed here aicpa.org/PRIMA and contains the following information:

- Access to PRIMA
- Getting Started in PRIMA document for Firms and Peer Reviewers
    - Includes information for the Knowledge Base, Browser Compatibility and more.
- Firm and Reviewer Alerts for PRIMA
- PRIMA FAQs for Enrolled Firms and Peer Reviewers
- Archived training webcasts and related slides
- Short training videos for firms and reviewers on different aspects of the review process (also contained in the Knowledge Base)
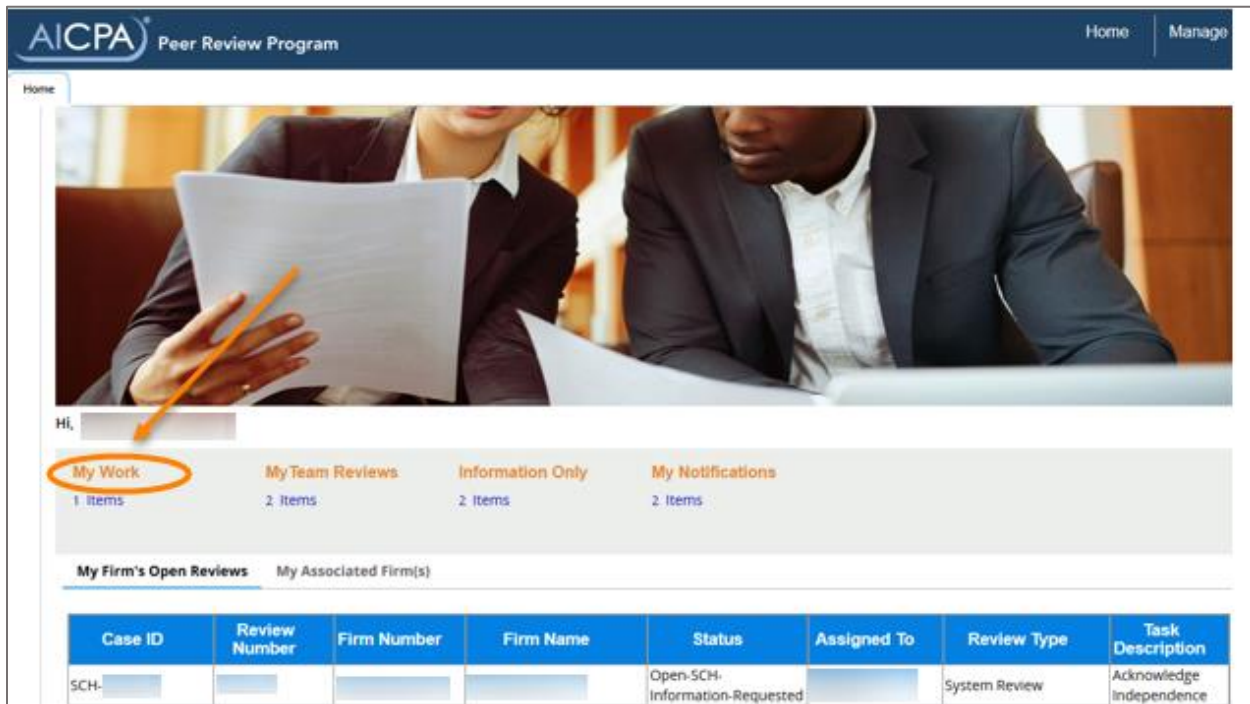
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Viewing the Status of Your Review(s) in PRIMA

A recent enhancement to PRIMA allows both firms and peer reviewers to view the status of the review(s) and who is currently assigned to the case. We are working on updating the case status, task description and assignees to help clarify for firms and peer reviewers.

Firms:

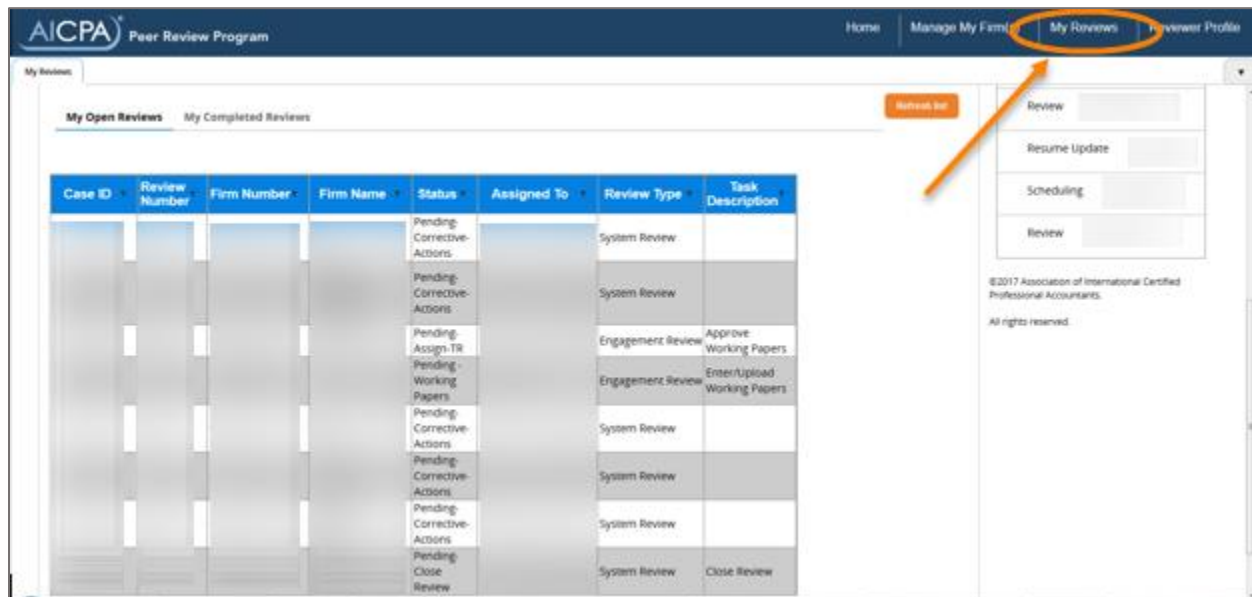Firms can see the status of their reviews on their PRIMA home page under My Work.

Peer reviewers (all team members on the review):

Peer reviewers can see the status of all reviews that are not in My Team Reviews by accessing My Reviews.

Reviewing the Firm's Peer Review Information (PRI) form in PRIMA during Scheduling of the Peer Review

You can access the firm's PRI in the Scheduling case before you accept the peer review to select the appropriate peer review team.

As a best practice, we recommend that you review the PRI. If you are aware of any changes that the firm needs to make to the PRI, **ask the firm to make changes *prior* to submitting your review team information**. If PRI changes are made after the review team is submitted, the scheduling process will need to be completed again.
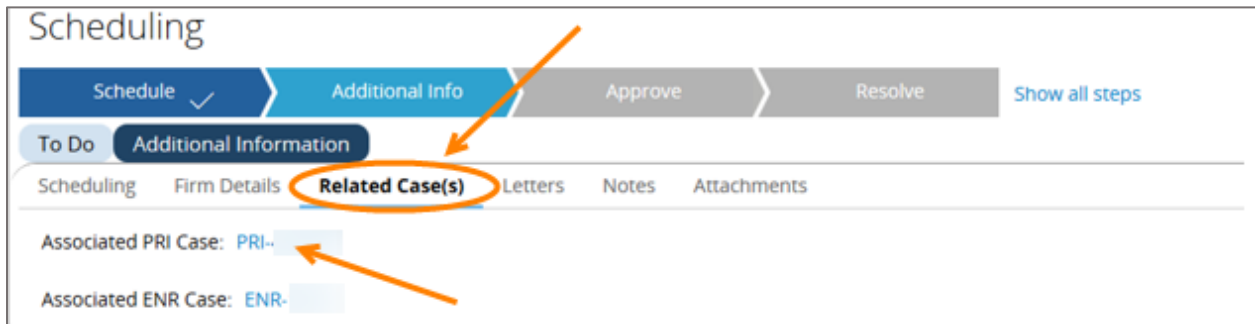
It is important to ensure that the firm's PRI is complete and accurate for engagements that the firm performed or expects to perform for the firm's peer review year.

You can access the firm's PRI by:
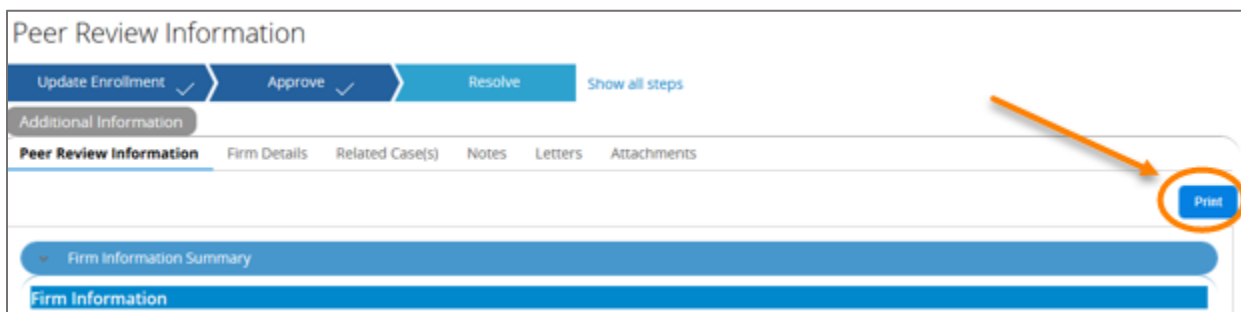
1. Clicking Additional Information
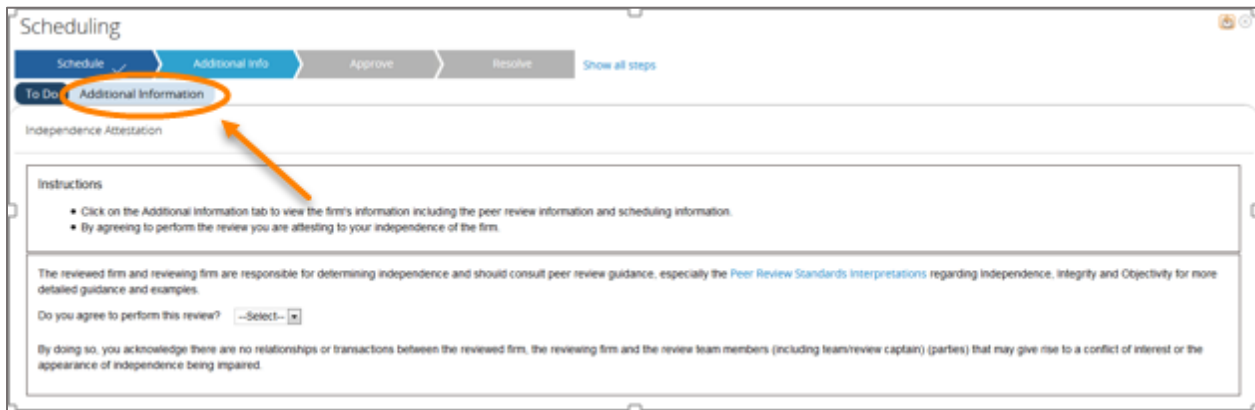
2. Clicking Related Cases

3. Clicking on the blue hyperlinked PRI case

Printing the PRI

1. Click the blue "Print" button in the top right corner.

Making Changes to the PRI

If the reviewed firm needs to make changes to the PRI, you can email instructions with screenshots and short demonstration videos directly from the Knowledge Base. Recommended articles include:

- Updating Peer Review Information (PRI) After AE Approval (Firm)

- Enrolling in Peer Review or Updating Enrollment in PRIMA

How to Email or Share Knowledge Base articles
The Knowledge Base articles can be shared using the Share feature; see below for instructions.

Known Issue: If you are already logged into PRIMA, the hyperlinked article will direct you to the home page of PRIMA rather than the intended article. We recommend advising the recipient of the article to log out of PRIMA and close their web browser before clicking on the hyperlinked article. We are currently working with our developer to resolve this issue.

NOTE: If you copy and paste the URL from the article, it will only open to the Knowledge Base, not the intended article.

1. Click the orange "Help" link, located in the top right corner of your PRIMA home page.

2. Search for a specific Knowledge Base article by using the Search box or the left-hand navigation.
   a. Tips for using the search feature: use quotation marks around your search term, search for unique words and try changing your search term if no results display.

3. Open the Knowledge Base article you want to email.

4. Click the "Share" button located on the top right-hand corner of article.

5. Send article from prima@aicpa.org by typing that address into the email that opens. Make sure the user has this email address added to their safe sender list.
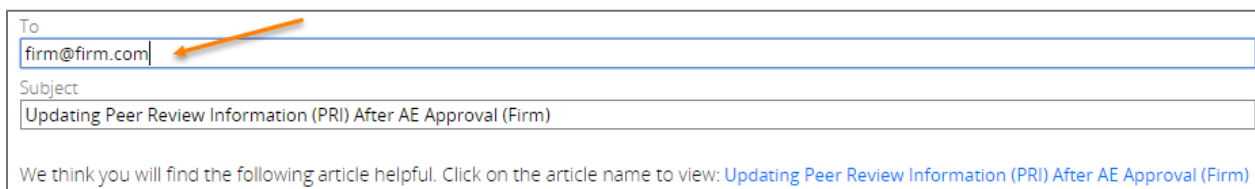
6. **Or**, send from your own email address by copying and pasting the email contents into your own email.

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New! **Knowledge Base Article links added to PRIMA Pages**

As of August 14, 2017, Knowledge Base articles can be accessed throughout PRIMA to assist firms and peer reviewers as they work through the peer review process. These articles can be accessed through the blue "Help" button or through the orange question mark.

1. The blue "Help" button is located at the bottom left side of the page.

2. The orange question mark is located throughout pages in areas such as:

   a. Instructions on the PRIMA pages
   b. Below blue headers on the PRIMA pages
   c. At the end of informational text
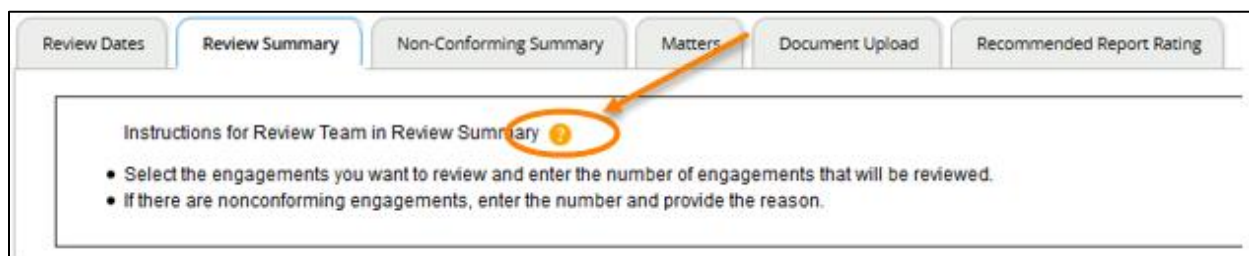
Instructions for Firms and Peer Reviewers – Getting Started in the Knowledge Base

Links to the Instructions for Firms and Peer Reviewers Knowledge Base articles have been added to the PRIMA homepage, under the "Announcements" section.

- These articles are designed to serve as a starting point and a table of contents to direct users to PRIMA instructions and information.
- They also provide an outline of the entire peer review process in PRIMA and link to related instructions with screenshots and short demonstration videos.
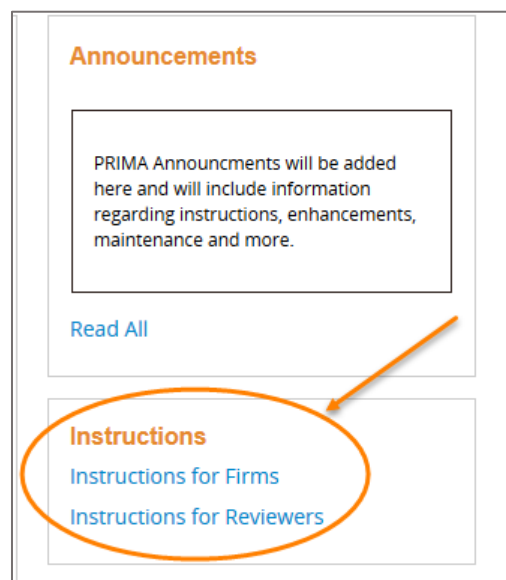
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Enhanced Oversights Study Identifies Factors Driving Audit Quality

A new study by the Peer Review Program revealed a set of factors that had a strong correlation with quality in single audits. In the study, the Peer Review team randomly selected a sample of 87 single audits from its Enhanced Oversight Program. The engagements selected had year ends of Nov. 30, 2015, or earlier.

Three factors had a strong correlation to quality performance in the sample:

- Size of single audit practice
- Membership in the Governmental Audit Quality Center (GAQC)
- Qualifications of the engagement partner

Size of Single Audit Practice

Firms that performed 11 or more single audits annually, regardless of firm size, had a non-conformity rate of 15%, compared with 49% for firms that performed 2 to 10 single audits each year and 62% for firms that performed one single audit annually.

GAQC Membership

Firms that were GAQC members were two times as likely to conform to standards compared to non-members. Additionally, GAQC member firms that performed 11 or more single audits annually had a 0% non-conformity rate.

Qualifications of the Engagement Partner

Engagement partners who performed more single audits annually had fewer instances of nonconformity in the study. A nonconformity rate of 25% was observed in audits performed by an engagement partner who reviewed and signed 11 or more single audits annually. Nonconformity rose to 44% for engagement partners who perform 2 to 10 single audits each year, and to 68% for engagement partners who perform just one single audit annually.

Non-conformity also spiked for firms whose engagement partners:

- Had less than six years of experience performing single audits
- Had a history of non-conformity
- Took less than three hours of single audit-specific CPE within the previous three years

Key Takeaways

These findings support numerous recommendations for firms that the AICPA has promoted through the Enhancing Audit Quality initiative, including:

- Accept only engagements that the firm is competent to perform.
- Keep practice aids and A&A guides up to date.
- Make sure the engagement team is the firm's "A" team (and "A" doesn't stand for "available").
- Consider the engagement team's experience and single audit-specific education.
- Engage a knowledgeable third party where appropriate.
- Join the GAQC.
- Have the engagement team perform appropriate consultations throughout the engagement.
- Have engagement quality control review criteria that are appropriate in light of the risks of operating in this area.
- Follow the "shadow/bench/door" best practice for partners that perform materially non-conforming engagements. This means shadowing these partners' work in the area where the nonconformity occurred by involving another partner throughout the engagement; benching the partner by requiring him or her to perform engagements that do not fall into the area where nonconformity was noted; or showing the partner the door. In this system, the severity of the response is based on the severity of the issue.

For more information, read the related Journal of Accountancy article or view an infographic about these single audit quality factors.

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Join a Free Webcast on 9/21 to Give Your Feedback on the IAASB revisions to ISQC 1

The International Auditing and Assurance Standards Board (IAASB) has undertaken a project to revise its standard on quality control for firms (ISQC 1). **The revisions being considered are wide-ranging and, if ultimately approved, are likely to impact quality control standards in**

the United States. The IAASB is hosting a free web event on Thursday, September 21st, with the goal of obtaining feedback from small- and medium-sized practitioners to inform the IAASB's decision making as they develop an exposure draft. While the web event is not being held at a convenient time for U.S. attendees (it runs from 7 – 8:30 am EDT), we encourage interested reviewers to attend and share their thoughts. To register, visit www.iaasb.org and, under the "Upcoming Webinar: Revised Quality Control for Firms" section of the page, click "Register Now."

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