

Reviewer alert

July 2019

This Reviewer alert contains the following articles:

- [What's New in the PRPM](#)
- [Analytical Procedures in a Review Engagement](#)
- [Is Your Firm a Member of an Association of Firms?](#)
- [Engagements Subject to SEC Independence Rules](#)
- [Tips for Completing Your MFCs](#)
- [Reminder – Firm training required by RABs](#)
- [Aug. 8 webcast: Methodology providers address risk assessment](#)
- [Quick Hits](#)

What's New in the Peer Review Program Manual (PRPM) – June 2019 Update

The following updates were available by late June 2019 on the [peer review webpages](#) and in the Online Professional Library ([OPL](#)) to subscribers. PDF and excel documents have June 2019 at the top.

These changes were primarily administrative and are not expected to directly impact your procedures. They were effective upon approval.

Updates resulting from the [May 2019 Peer Review Board \(PRB\) meeting:](#)

- Document retention guidelines were updated in PRP 2000, Standards' Interpretations 25-1 and 25-3 (Agenda Item 1.4)
- Hearing panel referral guidance was enhanced in PRP 3300, Report Acceptance Body (RAB) Handbook, Chapter 6 (Agenda Item 1.3)

[Back to Top](#)

Analytical Procedures in a Review Engagement

As a reminder, the accountant in a review engagement should use their understanding of the industry and knowledge of the entity to develop expectations for identifying and considering relationships between financial data that could reasonably exist. Analytical procedures cannot be performed without first developing expectations related to the anticipated results of such procedures.

Additionally, the accountant's documentation of analytical procedures performed should enable an experienced accountant to understand the accountant's development of and basis for

expectations, the data compared to those expectations, the results of those procedures and any investigations considered necessary based on those results (AR-C sec. 90.94).

A workpaper that compares the current year results (or balances) to the prior year results (or balances) does not qualify as an analytical procedure unless an explicit expectation is documented along with a basis for that expectation.

If you or your peer review clients are members of the [Center for Plain English Accounting](#) (CPEA), recommend they review the report titled, Review Engagements: Designing and Performing Effective Analytical Procedures.

During the August PRB Open Session meeting, the PRB will discuss proposed changes to guidance designed to help you conclude on review engagements when noncompliance with the SSARS requirements, specifically requirements related to analytical procedures, has been identified. We encourage you to participate in the discussion and provide feedback for the PRB to consider.

[Back to Top](#)

Is Your Firm a Member of an Association of Firms?

If your firm is a member of an association, it may impact your independence to perform certain reviews. Firms that are members of the same association can only peer review each other if the association has an approved Association Information Form (AIF). This includes the firms of all review team members. The AIF must be approved annually by the Peer Review Board, according to Interpretation Nos. 26-1 and 26-2.

When completing scheduling information in PRIMA, you will be asked to confirm your independence of the reviewed firm, including if you have considered the impact of association membership on independence. For PRIMA to identify any potential independence impairments related to association membership, the Peer Review Information forms (PRI) for your firm and for your peer review client must include any association memberships.

If you do not know whether your firm's PRI includes any relevant association information, contact the Peer Review hotline at 919-402-4502 or ask your managing partner or peer review contact. If your peer review client's PRI does not include their association membership, have them update their PRI. The hotline is also a great resource if you or your peer review client need help updating the PRI.

[Back to Top](#)

Engagements Subject to SEC Independence Rules

Firms perform engagements subject to SEC independence rules, for example due to regulatory requirements, and don't even realize it! These engagements subject to peer review include, but are not limited to:

- Banks
 - Depository institutions (over \$500 million in total assets)
- Investment companies
 - Investment advisors
 - Investment companies

- Pooled investment vehicles
- Brokers and dealers and related entities
 - Brokers and dealers in securities (carrying and non-carrying)
 - Futures commission merchants
 - Security-based swap data repositories
 - Clearing agencies
- Exempt issuers
 - Issuers exempt under Regulation A+ - Tier 1 (offerings up to \$20 million in a 12-month period; not more than \$6 million in offers by affiliates)
 - Issuers exempt under Regulation A+ - Tier 2 (offerings up to \$50 million in a 12-month period; not more than \$15 million in offers by affiliates)
 - Issuers under regulation crowdfunding

[Access](#) a list with additional details about each of these engagement types and others.

Remember, the Team Captain Checklist and engagement profiles include questions designed to help you identify whether your peer review clients understand SEC independence requirements and when they apply. Also, Interpretation Nos. 52-1 and 59-2 discuss that these engagements are a higher risk when evaluating peer review risk at the office and engagement level.

SEC independence rules contain various requirements, including prohibiting the firm from preparing financial statements. If the firm has violated the independence rules (performs an engagement when it lacks independence), you should deem the engagement as non-conforming and determine its impact on your assessment of the firm's system of quality control.

[Back to Top](#)

Tips for Completing Your MFCs

Did you know that your MFC forms play an important role in the development of AICPA resources and training materials? Various teams at the AICPA use anonymized MFC data to identify problem areas in the profession in order to develop resources and training materials with the most impact. To maximize the usefulness of your MFCs in this regard, please consider the following suggestions:

- Separate MFCs by level of service. For example, don't create an MFC that includes issues identified on both review and compilation engagements
- Separate MFCs by type of issue. For example, don't create an MFC that includes issues related to financial statement disclosures and financial statement reporting
- Double check to ensure all information related to the engagement is accurate
- Be as specific as possible in terms of the issue identified. For example, don't just say "the firm didn't properly document IT considerations," be specific as to what wasn't documented properly.

Again, these are just suggestions, but doing so will optimize our combined efforts to help educate and remediate those in the profession!

[Back to Top](#)

Reminder – Firm training required by RABs

At its January 2019 open session, the PRB approved a change to the RAB handbook that now requires members of a firm to take specified types and amounts of CPE when prevalent nonconformity exists related to an enhancing audit quality (EAQ) focus area.

To facilitate this requirement, AICPA staff created a web page, [Firm Training required by Report Acceptance Bodies \(RABs\)](#), that lists the AICPA courses that can be assigned to meet this requirement. AICPA courses that are not included on this website were not intended to be assigned to meet this requirement.

It has come to our attention that two AICPA Risk Assessment courses have the same course title, which has caused confusion amongst the peer review community. Please note, only the 3.5-hour AICPA course on the web page should be assigned as a corrective action or implementation plan.

As additional AICPA courses are developed for EAQ focus areas, the web page will be updated to include direct links to their product pages on the AICPA store.

[Back to Top](#)

Aug. 8 webcast: Methodology providers address risk assessment

Are the firms you're reviewing using their audit methodologies appropriately? Or are common missteps impacting the quality of their work?

A survey of peer reviewers found that in over half of all audits they reviewed in 2017, auditors were not properly identifying, assessing and/or responding to risks of material misstatement in accordance with AU-C 315 and 330.

[In this webcast rebroadcasting August 8, 2019, at 1 p.m. EST](#), representatives from RSM, Thomson Reuters and Wolters Kluwer instruct the audience on how to properly apply their methodologies, with a focus on the aspects of risk assessment creating the most challenges for practitioners. [Register for the webcast here](#).

This is a 2019 National Advanced Accounting and Auditing Technical Symposium (NAAATS) conference session rebroadcast.

[Back to Top](#)

Quick Hits

Reminders When Updating Your Peer Reviewer Resume

AICPA Staff often receive calls from firms struggling to find qualified peer reviewers and from team captains struggling to find team members to review those engagements in specialized industries. To combat this, please make sure your peer reviewer resume has been updated recently and accurately reflects the wealth of experience you have. Also, please consider indicating on your resume that you would be willing to:

- a) perform Engagement Reviews for firms located outside of your state and
- b) serve as a team member on System Reviews that are being performed outside of your state.

Neither of these roles are required to be performed on-site at the reviewed firm during the peer review and your willingness to perform these roles helps firms and team captains find qualified reviewers in their time of need.

Succession Planning for your Peer Review Practice

Dreaming of retirement? There's no better time to start planning for succession than the present. Visit our new [Succession Planning for your Peer Review Practice](#) web page which provides succession planning resources and specific considerations regarding your peer review practice.

Upcoming Learning Opportunities

Register for the [2019 Peer Review Conference](#) and refer potential reviewers to the second day of [Becoming an AICPA Peer Review Team or Review Captain: Case Study Application](#) both which will be held in Washington, DC at the Washington Marriott Wardman Park.

Refer your peer review clients to the [Are You Ready for your Peer Review rebroadcasts](#), to be held July 24 and October 24, 2019.

Do you have peer review clients that need help with internal control related audit procedures? Refer them to the [Take Control of your Audit – Avoid Common Internal Control Missteps](#) webcast. This webcast will be offered once a month from July through the end of the year.

Free resources to help you and your clients master risk assessment

Part of risk assessment procedures includes assessing control risk. We've developed [resources](#) to help you and your clients comply with requirements associated with internal controls. If you or your clients would like to brush up on risk assessment, take a look at our new [educational videos](#). Each video is less than three minutes long.

[Back to Top](#)