



AICPA[®]

Peer Review
Program

**QUESTIONS AND ANSWERS ABOUT
THE AICPA PEER REVIEW PROGRAM**

HAVING THE REVIEW

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HAVING THE REVIEW

How are engagements selected for a System Review?

The *Standards* require engagements selected by the review team should provide a reasonable cross section of the reviewed firm's accounting and auditing practice, with greater emphasis on those engagements in the practice with higher assessed levels of peer review risk. Examples of the factors considered when assessing peer review risk at the engagement level include size, industry area, level of service, personnel (including turnover, use of merged-in personnel, or personnel not routinely assigned to accounting and auditing engagements), communications from regulatory, monitoring, or enforcement bodies; the results of reviews or inspections performed by regulatory or governmental entities; extent of non-audit services to audit clients, significant clients' fees to a practice office(s) and a partner(s) and initial engagements.

In addition, at least one of each of the following types of engagement should be selected for review:

- Engagements subject to Government Auditing Standards (GAS),
- Audits subject to the Employment Retirement Income Security Act (ERISA),
- Engagement subject to the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and
- Examinations of service organizations (SOC 1 or SOC 2 engagements).

Additionally, if the engagement selected is an entity subject to GAS but not subject to the Single Audit Act and the firm performs engagements of entities subject to the Single Audit Act, at least one such engagement should also be selected for review. The review of this additional engagement must evaluate the compliance audit requirements and may exclude those audit procedures strictly related to the audit of the financial statements.

If a firm performs both SOC 1 and SOC 2 engagements and a proper risk assessment determined that only one SOC engagement should be selected, ordinarily a SOC 1 engagement should be selected over a SOC 2 engagement.

Finally, while carrying and non-carrying broker-dealer engagements were scoped out of peer reviews, the Securities Investor Protection Corporation (SIPC) agreed upon procedures engagements will remain subject to peer review. Further, the only Broker Dealers subject to peer review are CFTC-only registered. Due to the limited population of these BDs, the PRB determined must-select designation for these engagements is not necessary.

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How are engagements selected for an Engagement Review?

The review captain or the AE (in a CART review) will select the types of engagements to be submitted for review in accordance with the following guidelines:

- a. One engagement will be selected from each of the following areas of service performed by the firm:
 1. Review of financial statements (performed under SSARSSs)
 2. Compilation of financial statements, with disclosures (performed under SSARSSs)
 3. Compilation of financial statements that omits substantially all disclosures (performed under SSARSSs)
 4. Engagements performed under the SSAEs other than examinations
- b. One engagement will be selected from each partner, or individual of the firm, if not a partner, responsible for the issuance of reports listed in item (a).
- c. Selection of preparation engagements will only be made in the following instances:
 1. One preparation engagement with disclosures (performed under SSARSSs) should be selected when performed by an individual in the firm who does not perform any engagements included in item (a) or when the firm's only engagements with disclosures are preparation engagements.
 2. One preparation engagement that omits substantially all disclosures (performed under SSARSSs) should be selected when performed by an individual within the firm who does not perform any engagements included in item (a) or when the firm's only omit disclosure engagements are preparation engagements.
 3. One preparation engagement should be selected if needed to meet the requirement in item (d).
- d. At least two engagements will be selected for review.

The preceding criteria are not mutually exclusive. One of every type of engagement that a partner, or individual if not a partner, responsible for the issuance of the reports listed in item (a) in the previous list performs does not have to be reviewed as long as, for the firm taken as a whole, all types of engagements noted in item (a) in the previous list performed by the firm are covered.

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