

Enhanced Oversight Frequently Asked Questions

What is an enhanced oversight?

An enhanced oversight is an oversight of a firm's audit working papers for an engagement reviewed during the firm's peer review. The oversight is performed by a subject matter expert (SME) after the firm's peer review working papers have been submitted to the administering entity (AE) by its peer reviewer.

What is the objective of an enhanced oversight?

Launched in 2014 by the AICPA Peer Review Board (PRB), the objective of the enhanced oversight program is to enhance the effectiveness of firm and peer reviewer performance by providing insights from expert practitioners. Enhanced oversights and other improvements to the AICPA Peer Review Program (program) supports the AICPA's Enhancing Audit Quality (EAQ) initiative.

How does the enhanced oversight program evaluate firm and peer reviewer performance?

The enhanced oversight program evaluates firm and peer reviewer performance solely through the evaluation of an individual engagement by a SME. When a SME identifies matters and his or her conclusions differ from the reviewer's, such differences are communicated to the reviewer and the Report Acceptance Body (RAB) for its use when considering the acceptance of the firm's peer review.

Who are the SMEs?

SMEs are individuals from firms who currently perform 50 or more engagements in a must-select category, current and former members of audit quality center expert panels, current and former PRB members and other individuals approved by the Oversight Task Force (OTF). If you are interested in becoming a SME, email prptechnical@aicpa.org for more information.

Are the SMEs peer reviewers?

Most SMEs are not peer reviewers. The SME evaluates whether the engagement selected for oversight was performed or reported on in accordance with the requirements of applicable professional standards in all material respects. The SME does not evaluate the peer reviewer's compliance with the AICPA Standards for Performing and Reporting on Peer Review (standards).

What is the scope of an enhanced oversight?

An enhanced oversight focuses solely on the engagement selected and not on the firm's system of quality control. The SME reviews the working papers and related peer review documents for the engagement selected for oversight to identify material departures from professional standards and whether those departures were identified by the peer reviewer. The SME will issue a report highlighting material departures that were not identified by the peer reviewer. This report does not comment on the overall peer review results or whether the departures identified are systemic to the firm's system of quality control.

How does the SME determine which items are material departures from professional standards?

The SME uses the peer review checklists as well as professional judgment. SMEs may also consult with AICPA staff to determine if items are material departures from professional standards.

What happens if the peer reviewer disagrees with the oversight results?

As part of the oversight process, the peer reviewer is asked to provide a letter of response when there are matters identified by the SME. If there is disagreement, the reviewer can use the letter to support his or her conclusion. If the disagreement cannot be resolved, the disagreement will be referred to the AE for consideration. The AE will follow the disagreement process in standards.

If the SMEs identify any departures from professional standards that are not material, will they notify the firm?

The SMEs are instructed to list departures from professional standards that are not material in a separate document. This list is provided to the team captain at the end of the oversight process to pass along to the firm.

What types of reports could a SME issue?

There are two types of oversight reports that can be issued by a SME. The first is an oversight report with no comments where the SME does not identify any material matters that were not identified by the reviewer and agrees with the reviewer's conclusion about whether the engagement was performed or reported on in accordance with the requirements of applicable professional standards in all material respects.

The second type of oversight report a SME can issue includes comments highlighting material matters that were not identified by the reviewer and the SME concludes the engagement was not performed or reported on in accordance with the requirements of applicable professional standards in all material respects (nonconforming engagement). This type of report will vary slightly depending on the reviewer's initial conclusion about whether the engagement is nonconforming.

How will the enhanced oversight affect the peer review results?

Evaluation of overall peer review results is not part of the oversight process. Since the SME considers only one engagement, it is possible that the reviewer's conclusions and the resulting peer review report are appropriate. The RAB provides feedback to the reviewer and remedial actions to the firm when appropriate. The PRB believes this process, including the informal exchange of information between the SME, the peer reviewer, and the reviewed firm, is an important element to assure the efficacy of the program.

How does the AICPA use the data obtained from the enhanced oversight program?

The PRB believes it is critical to the success of the program that peer reviewers appropriately identify and document departures from professional standards by the reviewed firm and conclude whether the engagement was performed and reported on in accordance with the requirements of applicable professional standards in all material respects. After identifying

departures and non-conformities, appropriate education and remediation of firms is key. Data gathered in this process is used to develop additional tools and training and to measure the effectiveness of other AICPA EAQ initiatives.

What authority does the AICPA have to request working papers?

The standards state that firms enrolled in the program have the responsibility to cooperate with the peer reviewer, administering entity and the PRB in all matters related to the program which includes cooperating during oversight.