

The Boards' Role in the Restructured Peer Review Program

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Proposed Evolution of Peer Review Administration

- NASBA appreciates the PRB's efforts to improve the peer review program and their commitment to enhancing audit quality
- NASBA also agrees that changes to improve quality, efficiency, effectiveness and consistency will help improve overall audit quality

Proposed Evolution of Peer Review Administration

- Released to State Societies February 22, 2016
 - Included the Institute's plan to increase the quality, efficiency, effectiveness and consistency of PR
 - Originally sought to reduce number of AEs to 8-10 that would administer at least 1,000 PRs per year
 - New standards would require each AE to have a Director whose primary responsibility was PR and at least 1 full-time Administrator, Technical Reviewer and Manager

Proposed Evolution of Peer Review Administration

- Presentations were made at NASBA Regional Meetings in June
- CAC requested input from Boards
- In July, the CAC met with AICPA PRB
 - We received an update on the original discussion paper to State Societies
- On July 18, 2016 AICPA issued a second discussion paper seeking input from Boards

NASBA Response to the Supplemental Discussion Paper

- To gain an overall insight of constituent Boards, the CAC sent a survey
 - 36 Boards responded
- CAC also requested that any Board who submitted a letter of comment to the Institute on the discussion paper provide a copy to the CAC; again, to gain a perspective of the Boards' position

NASBA Response to the Supplemental Discussion Paper

- Using the survey and the letters of comments received by October 15th, the CAC identified six common concerns:

Oversight

Costs

Consolidation

National AE

Review/Volunteer Pool

Transparency

Oversight

- In the discussion paper, the Institute gave recognition and support to the value of oversight by our constituent Boards
- Whatever AEs survive, every Board that mandates PR must have the ability to conduct proper oversight deemed necessary
 - National PROC? Regional PROCs?
 - Time will tell!

Costs

- Considering the increased standards and criteria proposed in the discussion papers, Boards are concerned with the potential for significant increases in the cost of PR
- Concern that some small firms could decide to discontinue offering attest services
 - Besides the effect on the firms, this could have a negative effect on the public

Consolidation

- Originally the discussion papers suggested that the number of AEs be reduced to 8-10
 - We are pleased that the number of AEs may now not be specified
- A majority of our constituent Boards believe that all AEs that wish to continue be allowed to do so as long as they can meet new standards and criteria

National AE

- AICPA has indicated that they intend to operate as a National AE
 - CAC appreciates that the AICPA encourages AEs to look first to other AEs to assume administration responsibilities when deemed necessary
 - That the AICPA has oversight of AEs and would be subject to that same oversight themselves could present a problem
- NASBA's response urges AICPA to focus its efforts on committing resources and training to AEs when situations arise that could disrupt or diminish an AE's administration efforts

Review/Volunteer Pool

- Even though the AICPA indicates that the pool is larger than ever before, many Boards have expressed concern about the number of peer reviewers and RAB volunteers willing to participate in the program going forward

Transparency

- Boards mandate PR but have limited access to program data
- Should the evolution result in a national or regional PROCs access to data and program transparency are critical to effective oversight

NASBA Response to the Supplemental Discussion Paper

- The proposed changes to PR administration may require legislation, rule making or policy changes by Boards
- NASBA requests that the AICPA consider this and allow for adequate time for Boards to make changes necessary for implementation of whatever the future of PR holds

Proposed Evolution of Peer Review Administration

- The CAC appreciates the time that Jim Brackens and Beth Thoresen have given to the Committee and its members in providing information regarding the discussion papers
- Also, NASBA appreciates the strong relationship between the AICPA, NASBA and State Boards of Accountancy and looks forward to our continued working relationship and commitment to improving audit quality

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