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Isaac M. O'Bannon • Aug. 08, 2014

Building on CPAs' long-standing commitment to provide high-quality services that protect the public, the [American Institute of CPAs](#) (AICPA) has issued a [discussion paper](#) for all stakeholders in the audit process of private entities. The discussion paper summarizes the Institute's multi-faceted effort that is designed to help auditors excel in a fast changing and complex business environment.

While CPAs provide a wide range of services, auditing is fundamental to the profession. With that in mind, in May 2014 the AICPA launched its Enhancing Audit Quality (EAQ) initiative.

"EAQ is a holistic effort to consider auditing of private entities – including private companies, not-for-profit organizations, employee benefit plans and governmental entities – through multiple touch points, especially where quality issues have emerged," AICPA President and CEO [Barry C. Melancon](#), CPA, CGMA, explained. "Many AICPA committees, boards and staff contributed to the EAQ. The goal is to align the objectives of all audit-related AICPA efforts and collectively improve the quality of audit services delivered by the profession."

EAQ is based on a two-phased approach. Phase 1 involves planned and proposed efforts that will immediately improve quality. Some of these efforts have already been approved by appropriate AICPA boards or committees and are under way, while others are ideas for exploration and comment. Phase 2 centers around the transformation of the current peer review program for firms' accounting and

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newly licensed CPAs; ensure that all CPAs who perform financial statement audits adhere to the requirements in the AICPA Code of Professional Conduct, including but not limited to competence and due care.

- Auditing and Quality Control Standards – Monitor the use of the Auditing Standards Board's new clarified auditing standards to ensure they are being consistently understood and implemented to achieve high-quality audits; identify and better understand where and how audit issues occur and their root causes so revisions can be made to the appropriate standards and/or guidance; consider whether more specificity is needed in the quality control standards to drive quality performance.
- Guidance, Tools, Learning and Resources – Enhance curricula, content and methods of instruction to support the major topical areas the profession serves, including but not limited to challenging areas such as employee benefit plan audits, governmental audits and financial reporting; release a rigorous, profession-wide competency framework that has been validated by experts and regulators from around the globe; develop additional individual and suites of resources or educational courses based upon areas of concern uncovered in peer reviews.
- Practice Monitoring (Peer Review) – Perform more extensive peer review procedures on high-risk and complex areas and engagements; address the risks posed by low-volume auditors of high-risk and complex engagements by requiring the firm, in all cases where material non-conformity with applicable professional standards is noted, to engage a third party to perform pre- or post-issuance reviews of those engagements in the future with periodic reporting to a peer review Report Acceptance Body; evaluate firms' engagements in "new" industries promptly, rather than waiting for their next peer review.
- Ethics Enforcement – Use publicly available information to proactively identify deficient audits (including governmental single audits and employee benefit plan audits) and require members to correct the deficiencies; consider sanctions,

including admonishment, suspension or expulsion from AICPA membership,

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experience working in specialized areas. Through the EAQ, the AICPA will reinforce the quality of audit services for private entities and address any issues that may be identified.”

The EAQ initiative is being led by AICPA Senior Vice President for Public Practice & Global Alliances [Susan Coffey](#), CPA, CGMA, who encourages stakeholders in the U.S. private entity audit process to engage in a dialogue on the AICPA's plans. Visit aicpa.org/EAQpaper to post responses to questions in the paper and provide other feedback or to see interested parties' input. Comments or letters also may be provided via email to EAQ@aicpa.org. Input is due November 7.

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