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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Guide to Quality Control— Compilation and Review

Twelfth Edition (April 2019)

Highlights of this Edition

The following are some of the important new features of the 2019 Edition of *PPC's Guide to Quality Control— Compilation and Review*:

- **Driving Engagement Quality.** We've continued to enhance your *Guide* by focusing on areas that improve your firm's performance and the quality of your engagements. As part of its Enhancing Audit Quality Initiative, the AICPA continues to make available various resources to assist in driving engagement quality. We've incorporated critical concepts from those resources and tools to help you understand how they could be useful as part of your quality control system. We've enhanced practice aids to help strengthen your QC system.

- **Authoritative Literature.** We've enhanced the discussion of the AICPA's Accounting and Review Services Committee's new SSARS No. 24, *Omnibus Statement on Standards for Accounting and Review Services— 2018,* which is generally effective for compilations and reviews for periods ending on or after June 15, 2019. We've also enhanced the discussion on the independence interpretation, *Hosting Services* (ET 1.295.143), effective for engagements as of July 1, 2019. We've also provided new information about standard-setting projects currently underway by the Professional Ethics Executive Committee, Accounting and Review Services Committee, and the Peer Review Board.

- **AICPA Peer Review Program Manual Revisions.** The AICPA Peer Review Program Manual (PRPM) is a valuable source of information for designing and maintaining the firm's quality control policies and procedures. The PRPM has gone through several revisions since your *Guide* was last updated, most recently as of September 2018. Changes to the PRPM include certain revised engagement checklists and more. We've provided information on changes in the PRPM that will affect your next peer review.

In addition to these featured items, your *Guide* includes the following update items detailed below.

Chapter		Substantive Changes and Additions	Reference
GENERAL	1.	Revised the terminology "manuals" to "materials" to more closely align with terminology used by the AICPA Peer Review Standards and Interpretations.	Throughout
CHAPTER 1 Quality Control—An Overview	1.	Updated the discussion on the AICPA's Enhancing Audit Quality (EAQ) initiative for recent progress.	Paragraphs 102.16–.17
CHAPTER 2 Leadership Responsibilities for Quality Within the Firm	1.	Enhanced a bullet list to emphasize how firm leadership exhibits a focus on quality.	Paragraph 201.9

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CHAPTER 3 Relevant Ethical Requirements	1. Clarified the need to appropriately document work performed in applying safeguards and conclude that identified threats have been mitigated.	Paragraph 301.12
	2. Noted the issuance of two new FAQs that discuss familiarity threat situations resulting from senior personnel being associated with attest engagements for a long period of time.	Paragraph 301.15
	3. Revised a footnote on a new ethics interpretation, *Disclosing Client Information in Connection With a Quality Review*, which was effective when issued in December 2018.	Paragraph 301.50
	4. Updated for changes in revised independence interpretations.	Exhibit 3-6
	5. Added more information on a toolkit provided by the AICPA to assist in implementing the *Conceptual Framework for Independence*.	Paragraph 302.8
	6. Enhanced a discussion on the *period of professional engagement*.	Paragraph 302.12
	7. Referred to a Peer Reviewer Alert issued in 2018 that provides explanatory information about appropriate documentation related to providing nonattest services.	Paragraph 302.17
	8. Updated the discussion of the AICPA nonattest services toolkit.	Paragraph 302.24
	9. Noted that the effective date of the *Hosting Services* interpretation was extended from September 1, 2018, to July 1, 2019.	Paragraph 302.26
	10. Updated a discussion on the status of the AICPA's project to revise the extant ethics interpretation, *Entities Included in State and Local Government Financial Statements* (ET 1.224.020).	Paragraph 302.27
	11. Updated for the status of the AICPA's project on its *Leases* interpretation (ET 1.260.040), which has been issued as a final interpretation and effective for fiscal years beginning after December 15, 2019.	Paragraph 302.29
	12. Added discussion about new revisions to the *Client Affiliates* interpretation (ET 1.224.010), effective as of December 2018.	Paragraph 302.30
	13. Revised discussion on the proposed revised *Information Systems Services* interpretation (ET 1.295.145).	Paragraph 302.31
	14. Added information on a new proposed ethics interpretation, *Staff Augmentation Arrangements* (ET 1.295.157), proposed in December 2018.	Paragraphs 302.32–.34
	15. Enhanced discussion of the new *Hosting Services* interpretation.	Paragraphs 302.35–.37
	16. Added information on new PEEC FAQs for hosting services.	Paragraph 302.38
	17. Added information on using the work of other accountants in a SSARS review engagement.	Paragraphs 302.43–.44

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	18. Enhanced discussion of obtaining independence representations.	Paragraph 303.24
	19. Expanded the resolution action bullets for handling an independence breach under the Code.	Paragraph 303.38
CHAPTER 4 Acceptance and Continuance of Client Relationships and Specific Engagements	1. Added additional conflict of interest situations.	Paragraph 402.8
CHAPTER 5 Human Resources	1. Added discussion on developing a formal internship program.	Paragraphs 501.7 and 501.11–.12
	2. Expanded competency requirements necessary for an engagement partner.	Paragraph 502.18
	3. Added information about acquiring program materials approved by NASBA to use for firm group training.	Paragraph 504.27
	4. Added a discussion about using online resources as part of the firm's professional library, and updated the discussion on maintaining the firm's print-based library.	Paragraphs 504.29–.30 and 504.32
CHAPTER 6 Engagement Performance	1. Noted a new proposed SSAE, *Revisions to Statement on Standards for Attestation Engagements No. 18, Clarification and Codification*, and updated the status of proposed SSAE, *Selected Procedures*.	Paragraphs 601.25–.26
	2. Clarified the discussion on considering firm size.	Paragraph 601.32
	3. Added information about the need for consultation when performing SSARS engagements.	Paragraph 602.13
	4. Enhanced the list of common issues and misconceptions related to performing an EQCR.	Paragraph 603.18
	5. Enhanced the discussion about users of third-party QCM being responsible for the reliability and suitability of purchased QCM, including the procedures suggested as appropriate to ensure those responsibilities are met.	Paragraph 605.21
CHAPTER 7 Monitoring	1. Clarified discussion of pre-issuance reviews to explain how and when such reviews could qualify as monitoring procedures.	Paragraphs 701.4–.5
	2. Enhanced the list of engagement selection criteria for monitoring purposes.	Paragraph 702.34
	3. Enhanced the information on taking appropriate remedial action when a systemic deficiency is noted.	Paragraph 703.6
CHAPTER 8 The Peer Review Process and Undergoing System Review	1. Updated the introductory discussion of the peer review process for current information.	Paragraphs 800.4–.7
	2. Added mention of a new AICPA Peer Review Board project to clarify the Peer Review Standards and Interpretations.	Paragraph 800.8
	3. Updated the discussion on the AICPA's Enhancing Audit Quality initiative.	Paragraphs 801.5 and 801.7

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	4. Updated the discussion on state society involvement with the AICPA Peer Review Program.	Paragraphs 801.16-.17
	5. Revised various procedural discussions to reflect changed processes using PRIMA.	Paragraphs 802.7 (footnote) and 803.32
	6. Explained that additional time may be needed to find a qualified peer reviewer.	Paragraphs 802.12 and 802.16
PRACTICE AIDS Quality Control Maintenance Calendar	1. Enhanced the procedure on the firm library to encompass online resources and clarified the procedure on obtaining annual independence representations.	GCR-PA-1.3
Leadership Responsibilities for Quality Within the Firm Policy and Procedures Drafting Form	2. Streamlined the bullets in Procedure 1 to enhance clarity.	GCR-PA-2.1
Independence Questionnaire	3. Added Question 1f under Section B for revision to ET 1.224.010, which was effective when revised (December 2018).	GCR-PA-3.2
	4. Added Questions 6 and 7 under Section K for revision to ET 1.260.040, effective for fiscal years beginning after December 15, 2019.	GCR-PA-3.2
Independence Representation	5. Clarified the instructions to the form.	GCR-PA-3.3
Independence and Other Ethical Requirements Resolution Form	6. Changed the name of the form and clarified the instructions.	GCR-PA-3.4
Human Resources Policy and Procedures Drafting Form	7. Revised certain language in Procedure 5 in the "Professional Development" section.	GCR-PA-5.1
Professional Staff Evaluation	8. Expanded "Competency and Technical Skills" for monthly write-up services.	GCR-PA-10.1
Monitoring Policy and Procedures Drafting Form	9. Added an enhancement to Procedure 1 to further qualify individuals who may be selected as a member of the firm's monitoring team.	GCR-PA-12.1
Inspection/Review Checklist—Firm with Two or More Professionals	10. Updated the engagement statistics breakdown under Section I.	GCR-PA-12.3
	11. Updated the instructions in Section III.	GCR-PA-12.3
	12. Expanded and revised Questions in Section V.	GCR-PA-12.3
Inspection/Review Checklist—Sole Practitioner with No Professional Staff	13. Updated the engagement statistics breakdown under Section I.	GCR-PA-12.4
	14. Updated the instructions in Section III.	GCR-PA-12.4
	15. Expanded and revised Questions in Section V.	GCR-PA-12.4
Annual Monitoring Communication Drafting Form	16. Updated the summary list of the firm's accounting and attestation engagements and those reviewed.	GCR-PA-12.10

Chapter	Substantive Changes and Additions	Reference
Example Model Quality Control Document—Compilation and Review Practice Firm	17. Modified the example model QC document based on changes made to the individual QC element drafting forms.	GCR-PA-13.1
Example Model Quality Control Document—Sole Practitioner Compilation and Review Practice Firm with One or More Professional Staff or No Professional Staff	18. Made changes like those at GCR-PA-13.1, consistent for the level of detail provided in each example model QC document.	GCR-PA-13.2–GCR-PA-13.3
Questionnaire to Identify Need for QC System Revisions	19. Added Question 1e to Part B of the questionnaire.	GCR-PA-14.1