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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Guide to Nontraditional Engagements

Twenty-fifth Edition (October 2018)

Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC's Guide to Nontraditional Engagements*:

- Recent Developments in Professional Standards.** Although the extant attestation standards were only recently issued, already we have another exposure draft of proposed guidance to consider. In July 2018, the AICPA issued Proposed Statement on Standards for Attestation Engagements (SSAE): *Revisions to SSAE No. 18, Attestation Standards: Clarification and Recodification*. In addition, the Auditing Standards Board's project to revise the audit reporting standards has resulted in several exposure drafts of proposed guidance. Your *Guide* provides an overview of changes to expect should this proposed guidance become final.
- Convenient Forms and Checklists.** In today's competitive environment, we understand how important it is for you to have the latest tools to do your job well without sacrificing efficiency. We have continued to refine the attestation tools in your *Guide* to make them easier and more efficient to use while maintaining the in-depth coverage you require to ensure compliance with professional standards. This *Guide* includes tools that will help you perform the various nontraditional engagements described in this *Guide*. Those tools provide a framework to help you plan and perform the engagement and document the procedures performed, evidence obtained, and, for examinations and reviews, the conclusions reached. For example, your attestation tools include a risk assessment summary form and an examination planning form to help you to comply with the requirement to obtain an understanding of the subject matter and the engagement, including internal control, when performing an examination. New this year is a form to assist you in accumulating and aggregating uncorrected misstatements.
- Guidance for Audits of Specified Elements.** Practitioners are often requested to apply agreed-upon procedures to specified elements of a financial statement. Audits of specified elements may be performed in connection with the audit of the financial statements, such as a specified element presented as supplementary information, or as a separate engagement. Your *Guide* discusses the auditing requirements relating to such engagements and provides the planning, performance, and reporting tools to ensure your compliance with relevant standards. This edition of the *Guide* includes notes and practical considerations about specific implementation issues relating to the new revenue recognition accounting standards of FASB ASC 606, *Revenue from Contracts with Customers*. The new guidance, introduced by ASU 2014-09 and related amending ASUs, is effective for entities other than public business entities for years beginning on or after December 15, 2018, and interim periods within years beginning on or after December 15, 2019.
- Independence Documentation.** When you perform nonattest services for your attest clients, we know you are concerned about maintaining the independence required to comply with AICPA professional standards. Our practice aids include a form that can be used to document conclusions at the engagement level relating to the identification of threats to independence and safeguards that were applied. The form, which has been updated to address the implications of hosting services on practitioner independence, can be used to satisfy the documentation requirements pertaining to permissible nonattest services under ET 1.295.

In addition to these featured items, your *Guide* includes the following update items detailed beginning on the next page.

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<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Nontraditional Engagements— An Introduction	1. Noted the revised effective date of the recent interpretation to the AICPA <i>Code of Professional Conduct's</i> (the <i>Code</i>) <i>Independence Rule</i> on hosting services.	Paragraph 102.6
	2. Updated the list of proposed ethics rules under the <i>Code</i> .	Paragraph 102.11
	3. Added a discussion of proposed guidance issued in connection with the AICPA's auditor's report project.	Paragraphs 102.43–.46
	4. Updated the list of recent SSARS and the discussion of current developments in SSARS guidance for the issuance of SSARS No. 24.	Paragraphs 102.50–.52
	5. Streamlined the discussion on the attestation standards.	Paragraphs 102.53–.58
	6. Added a discussion of proposed guidance that would revise the attestation standards.	Paragraphs 102.59–.60
CHAPTER 2 Agreed-upon Procedures Engagements	1. Added steps to the procedures checklist for actions the practitioner would take if required written representations are not obtained.	Appendix 2A-1
CHAPTER 3 Attestation Examination and Review Engagements	1. Expanded the discussion on the suitability of criteria.	Paragraph 303.15
	2. Expanded the discussion on restricting the use of the practitioner's report.	Paragraph 303.57
	3. Expanded the discussion on materiality.	Paragraphs 304.24–.26
	4. Expanded the discussion on evaluating results.	Paragraphs 306.80–.81
	5. Clarified the ramifications of omitting disclosures not required by the criteria used in the engagement.	Paragraph 306.87
	6. Added a Practical Consideration about the risks and other matters relating to the implementation of FASB ASC 606.	Appendix 3A-2
	7. Updated the benchmarks and illustrative percentages in Table 2.	Appendix 3A-3
	8. Added a new practice aid to accumulate and aggregate uncorrected misstatements.	Appendix 3A-5
	9. Revised the instructions to include the various parts included in the form.	Appendix 3A-6
	10. Noted the revised effective date of the AICPA Code hosting services interpretation.	Appendix 3A-8
	11. Added steps to the procedures checklist for actions the practitioner would take if required written representations are not obtained.	Appendixes 3B-1 and 3D-1
CHAPTER 4 Reporting on Internal Control	1. Streamlined the discussion on the AICPA's system and organization control (SOC) services.	Section 402

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 5 Reporting on Specified Elements	1. Conformed terminology from <i>sales</i> to <i>revenue</i> as well as related terms to reflect FASB ASC 606, where deemed appropriate.	Throughout
	2. Added footnote to discuss the implementation of the new accounting standards and the impact on the risk assessment and planning process.	Paragraphs 501.36 and 501.38
	3. Added a discussion on the AICPA's Technical Question and Answer, <i>Obtaining an Understanding of Internal Control Relevant to the Audit</i> (Q&A 8200.18) and the AICPA's Technical Question and Answer, <i>Obtaining an Understanding of the Controls Relevant to the Audit</i> (Q&A 8200.19).	Paragraph 501.41
	4. Expanded and clarified the discussion on the PPC audit approach.	Paragraphs 501.60–.63
	5. Expanded the discussion on documenting the response to risk of material misstatement.	Paragraph 501.66
	6. Clarified the discussion on written representations.	Paragraphs 501.68–.69
	7. Noted the issuance of proposed guidance under the AICPA's auditor's report project.	Paragraphs 501.76 and 502.4
	8. Added a Practical Consideration to the step on risk assessment procedures discussing the AICPA's <i>Guide to Audit Data Analytics</i> .	Appendix 5A-2
	9. Added a Practical Consideration to the step on trial balance procedures.	Appendix 5A-2
	10. Added a Practical Consideration to the step on related-party procedures discussing the proposed SAS, <i>Omnibus Statement on Auditing Standards—2018</i> .	Appendix 5A-2
	11. Added a Practical Consideration to the step on written representations discussing the proposed SAS, <i>The Auditor's Responsibilities Relating to Other Information Included in Annual Reports</i> .	Appendix 5A-2
	12. Added a Practical Consideration to the step on drafting the auditor's report discussing proposed guidance under the AICPA's auditor's report project.	Appendix 5A-2
	13. Added a Practical Consideration to the step on communicating significant audit findings discussing the proposed SAS, <i>Omnibus Statement on Auditing Standards—2018</i> .	Appendix 5A-2
	14. Added matters relating to ASU 2014-09 to the note listing common representations.	Appendix 5A-3
	15. Added a disclosure made by management relating to terms of contracts with customers to the note listing common representations.	Appendix 5A-3
	16. Added a note discussing proposed guidance under the AICPA's auditor's report project.	Appendixes 5A-5, 5A-8, 5A-11, 5A-12, 5B-1, and 5C-1b

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	17. Updated the Practical Considerations for the AICPA Audit and Accounting Guide, <i>Revenue Recognition</i> .	Appendix 5C-1a
CHAPTER 6 Reporting Required by Contractual Agreements	1. Added a discussion of the AICPA's auditor's reports project related to the special reports in the AU-C 800 series.	Paragraphs 600.6–.8
CHAPTER 8 Pro Forma Financial Information	1. Added a Practical Consideration about the AICPA <i>Code of Professional Conduct</i> interpretation on hosting services to the compilation procedures, review, and approval form.	Appendix 8D-1
	2. Added a Practical Consideration about addressing the compilation engagement letter.	Appendix 8D-2
	3. Expanded the management's responsibilities section of the compilation engagement letter.	Appendix 8D-2
CHAPTER 9 Special Engagements for Financial Institutions	1. Clarified the discussion on prescribed forms.	Paragraphs 900.3–.4 and 900.7
	2. Noted a recommendation of the NCUA's Regulatory Reform task force.	Paragraph 902.3
	3. Noted the issuance of the 2018 revision of the Yellow Book.	Paragraph 904.13
CHAPTER 10 Ownership Changes	1. Added one step and revised another relating to the Accounting Principles and Practices section of the procedures and reporting checklist.	Appendix 10B
CHAPTER 11 Risk Assessment Services	1. Expanded the discussion on the enterprise risk management framework.	Paragraphs 1104.1–.3
CHAPTER 12 Other Nontraditional Engagements	1. Noted the issuance of the 2018 revision of the Yellow Book.	Paragraph 1208.3