



Direct Engagements (Examinations and Reviews)

Concepts Common to All Direct Engagements

<p>Proposed AT-C Section, <i>Concepts Common to All Direct Engagements</i></p> <p>Introduction and Requirements</p>	<p>Proposed AT-C Section, <i>Concepts Common to All Direct Engagements</i></p> <p>Application and Other Explanatory Material</p>
<p>Introduction</p>	<p>Introduction (Ref: par. 1.01.a.i.1.Aa.i.CC1)</p>
<p>CC1. This Statement on Standards for Attestation Engagements (SSAE) contains performance and reporting requirements and application guidance for direct examination and direct review attestation engagements (non-assertion based engagements). (Ref: par CC A1)</p>	<p>CC A1. The subject matter of a direct engagement may take many forms, including the following:</p> <ul style="list-style-type: none"> a. Historical or prospective performance or condition, for example, historical or prospective financial information, performance measurements, and backlog data. For example, using the responsible party’s financial records, a practitioner performs agreed-upon procedures related to payments based on a royalty agreement. b. Physical characteristics, for example, narrative descriptions or square footage of facilities c. Historical events, for example, the price of a market basket of goods on a certain date d. Analyses, for example, break-even analyses e. Systems and processes, for example, the effectiveness of an entity’s controls over the privacy of information it processes for user entities based on the trust services criteria

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	<p><i>f.</i> Behavior, for example, corporate governance, compliance with laws and regulations, and human resource practices, for example a report on an entity's sustainability practices based on occupational health and safety regulations.</p> <p>The subject matter may be as of a point in time or for a period of time.</p>
<p>CC2. In all direct engagements the practitioner evaluates subject matter that is the responsibility of another party against criteria and aims to obtain sufficient appropriate evidence to express an opinion, conclusion, or findings in a written report about the outcome of that evaluation. (Ref: Para. A22-A23)</p>	
<p>CC3. Direct engagement attestation standards (direct engagement standards) have the same status and authority as assertion-based attestation standards (assertion-based standards); each addresses a different category of attestation engagement.</p>	
<p>CC4. Direct examination and review engagements have many features in common with assertion-based examination and review engagements undertaken under AT section 205 and 210. Fundamental concepts related to matters such as level of assurance, risk, and materiality are the same. However, direct examination and review engagements also have the following features that are clearly distinct from those of assertion-based examination and review engagements:</p> <ul style="list-style-type: none"> • The practitioner is not required to request from the responsible party an assertion about whether the subject matter is in accordance with (or based on) the criteria, and the responsible party does not provide such an assertion. • The practitioner makes a measurement or evaluation of the subject matter against the criteria 	

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<ul style="list-style-type: none"> The practitioner usually decides along with the engaging party, on the criteria to be used for the engagement 	
<p>CC5. This section is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with (Ref: par. .A2-.A3)</p> <ul style="list-style-type: none"> a. AT-C sections 105-320 of the SSAEs (the assertion-based sections of the SSAEs) b. <i>Statements on Auditing Standards,</i> c. <i>Statements on Standards for Accounting and Review Services,</i> or d. <i>Statements on Standards for Tax Services.</i> 	<p>CC A2. The direct engagement standards do not apply to litigation services that involve pending or potential legal or regulatory proceedings before a trier of fact when the practitioner has not been engaged to issue, and does not issue, a practitioner’s direct examination, direct review, or specified procedures report and any of the following circumstances exist:</p> <ul style="list-style-type: none"> a. The service comprises being an expert witness. b. The service comprises being a trier of fact or acting on behalf of one. c. The practitioner’s work under the rules of the proceedings is subject to detailed analysis and challenge by each party to the dispute. d. The practitioner is engaged by an attorney to do work that will be protected by the attorney’s work product or attorney-client privilege, and such work is not intended to be used for other purposes
	<p>CC A3. Because performance audits performed pursuant to <i>Government Auditing Standards</i> do not require a practitioner’s direct examination or direct review report as described in this section, this section does not apply to performance audits unless the practitioner engaged to conduct a performance audit is also engaged to conduct an AICPA direct examination or direct review engagement or specified procedures report.</p>
<p>CC6. A direct examination or review engagement may be part of a larger engagement, for example, a feasibility study or business acquisition study that also includes, for example, an examination of a healthcare facility’s compliance with criteria established by an industry group. In such circumstances, this section applies only to the direct examination or review portion of the engagement.</p>	
<p>Compliance With the Attestation Standards</p>	
<p>CC7. The “Compliance With Standards Rule” (AICPA, <i>Professional</i></p>	

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<p><i>Standards</i>, ET sec. 1.310.001), of the AICPA Code of Professional Conduct requires members who perform professional services to comply with standards promulgated by bodies designated by the Council of the AICPA.</p>	
<p>Relationship of Direct Engagement Standards to Quality Control Standards</p>	<p>Relationship of Direct Engagement Standards to Quality Control Standards (Ref: par. CC8)</p>
<p>CC8. Quality control systems, policies, and procedures are the responsibility of the firm in conducting its attestation practice. Under QC section 10, <i>A Firm’s System of Quality Control</i> (AICPA, <i>Professional Standards</i>), the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that¹ (Ref: par. CC A4–CC A6)</p> <ul style="list-style-type: none"> a. the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and b. practitioners’ reports issued by the firm are appropriate in the circumstances. 	<p>CC A4. The nature and extent of a firm’s quality control policies and procedures depend on factors such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations.</p> <p>CC A5. Within the context of the firm’s system of quality control, engagement teams have a responsibility to implement quality control procedures that are applicable to the direct engagement and provide the firm with relevant information to enable the functioning of that part of the firm’s quality control relating to independence.</p> <p>CC A6. Engagement teams are entitled to rely on the firm’s system of quality control, unless the engagement partner determines that it is inappropriate to do so based on information provided by the firm or other parties.</p>
<p>CC9. Attestation standards relate to the conduct of individual attestation engagements; quality control standards relate to the conduct of a firm’s attestation practice as a whole. Thus, attestation standards and quality control standards are related, and the quality control policies and procedures that a firm adopts may affect both the conduct of individual attestation engagements and the conduct of a firm’s attestation practice as a whole. However, deficiencies in or instances of noncompliance with a firm’s quality control policies and procedures do not, in and of themselves, indicate that a particular engagement was not performed in accordance with the attestation standards.</p>	
<p>Effective Date</p>	

¹ Paragraph .12 of QC section 10, *A Firm’s System of Quality Control* (AICPA, *Professional Standards*).

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<p>CC10. This section is effective for practitioners' reports dated on or after xxx, .</p>	
<p>Objectives</p>	
<p>CC11. In conducting a direct engagement, the overall objectives of the practitioner are to</p> <ul style="list-style-type: none"> a. apply the requirements relevant to the attestation engagement; b. express an opinion or conclusion regarding the outcome of the measurement or evaluation of the subject matter and communicate as required by the applicable AT-C section, in accordance with the results of the practitioner's procedures; and c. implement quality control procedures at the engagement level that provide the practitioner with reasonable assurance that the attestation engagement complies with professional standards and applicable legal and regulatory requirements. 	
<p>Definitions</p>	<p>Definitions</p>
<p>CC12. For purposes of this section, the following terms have the meanings attributed as follows:</p>	
<p>Assertion. Any declaration or set of declarations about whether the subject matter is in accordance with (or based on) the criteria</p>	
<p>Direct engagement. A direct examination, review, or specified procedures engagement performed under the direct engagement standards related to subject matter that is the responsibility of another party. The following are the three types of direct engagements:</p>	
<ul style="list-style-type: none"> a. Direct examination engagement. A direct engagement in which the practitioner obtains reasonable assurance by obtaining sufficient appropriate evidence about the measurement or evaluation of subject matter against criteria in order to be able to draw reasonable conclusions on which to base the practitioner's opinion about whether the subject matter is in accordance with (or based on) the criteria, in all material respects. (Ref: par. .CC A7) 	<p><i>Direct Examination Engagement (Ref: par. CC12)</i></p> <p>CC A7. The practitioner obtains the same level of assurance in a direct examination engagement as the practitioner does in a financial statement audit.</p>

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<p>b. Direct review engagement. A direct engagement in which the practitioner obtains limited assurance by obtaining sufficient appropriate review evidence about the measurement or evaluation of subject matter against criteria in order to express a conclusion about whether any material modification should be made to the subject matter in order for it be in accordance with (or based on) the criteria. (Ref: par. CC A8)</p>	<p>Direct Review Engagement (Ref: par. CC12)</p> <p>CC A8. The practitioner obtains the same level of assurance in a direct review engagement as the practitioner does in a review of financial statements</p>
<p>c. Specified procedures engagement. A direct engagement in which a practitioner performs specified procedures on subject matter and reports the findings without providing an opinion or a conclusion on it. The parties to the engagement (specified party), as defined later in this paragraph, agree upon and are responsible for the sufficiency of the procedures for their purposes.</p>	
<p>Attestation risk. In a direct examination or review engagement, the risk that the practitioner expresses an inappropriate opinion or conclusion, as applicable, when the subject matter is materially misstated. (Ref: par. CC A9–CC A10)</p>	<p>Attestation Risk (Ref: par. CC12)</p> <p>CC A9. Attestation risk does not refer to the practitioner’s business risks, such as loss from litigation, adverse publicity, or other events arising in connection with the subject matter reported on.</p>
	<p>CC A10. In general, attestation risk can be represented by the following components, although not all of these components will necessarily be present or significant for all engagements:</p> <ul style="list-style-type: none"> a. Risks that the practitioner does not directly influence, which consist of <ul style="list-style-type: none"> i. the susceptibility of the subject matter to a material misstatement before consideration of any related controls (inherent risk) and ii. the risk that a material misstatement that could occur in the subject matter will not be prevented, or detected and corrected, on a timely basis by the appropriate party(ies)’s internal control (control risk) b. Risk that the practitioner does directly influence, which consists of the risk that the procedures to be performed by the practitioner will not detect a material misstatement (detection risk)
	<p>CC A11. The degree to which each of these components of attestation risk is</p>

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	<p>relevant to the engagement is affected by the engagement circumstances, in particular</p> <ul style="list-style-type: none"> • the nature of the subject matter . (For example, the concept of control risk may be more useful when the subject matter relates to the preparation of information about an entity’s performance than when it relates to information about the existence of a physical condition.) • the type of engagement being performed. (For example, in a direct review engagement, the practitioner may often decide to obtain evidence by means other than tests of controls, in which case, consideration of control risk may be less relevant than in a direct examination engagement on the same subject matter.)
	<p>CC A12. The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.</p>
	<p>CC A13. In a direct examination engagement, the practitioner reduces attestation risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner’s opinion. Reducing attestation risk to zero is not contemplated in a direct examination engagement and, therefore, reasonable assurance is less than absolute assurance as a result of factors such as the following:</p> <ul style="list-style-type: none"> • The use of selective testing • The inherent limitations of internal control • The fact that much of the evidence available to the practitioner is persuasive, rather than conclusive • The use of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence • In some cases, the characteristics of the subject matter when evaluated or measured against the criteria
	<p>CC A14. In a direct review engagement, attestation risk is greater than it is in a direct examination engagement. Because the practitioner obtains limited</p>

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	assurance in a direct review engagement, the types of procedures performed are less extensive than they are in a direct examination engagement and generally are limited to inquiries and analytical procedures.
Criteria. The benchmarks used to measure or evaluate the subject matter. (Ref: par. .A16)	Criteria (Ref: par. CC12) CC A15. Suitable criteria are required for reasonably consistent measurement or evaluation of subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. The suitability of criteria is context-sensitive, that is, it is determined in the context of the engagement circumstances. Even for the same subject matter, there can be different criteria, which will yield a different measurement or evaluation. For example, one responsible party might select the number of customer complaints resolved to the acknowledged satisfaction of the customer for the subject matter of customer satisfaction; another responsible party might select the number of repeat purchases in the three months following the initial purchase. The suitability of criteria is not affected by the level of assurance, that is, if criteria are unsuitable for a direct examination engagement, they are also unsuitable for a direct review engagement and vice versa.
Documentation completion date. The date on which the practitioner has assembled for retention a complete and final set of documentation in the engagement file.	
Engagement circumstances. The broad context defining the particular engagement, which includes the terms of the engagement; whether it is a direct examination, review, or specified-procedures engagement; the characteristics of the subject matter; the criteria; the information needs of the intended users; relevant characteristics of the responsible party and, if different, the engaging party and their environment; and other matters, for example, events, transactions, conditions and practices, and relevant laws and regulations, that may have a significant effect on the engagement.	
Engagement documentation. The record of procedures performed, relevant evidence obtained, and, in a direct examination or review engagement, conclusions reached by the practitioner or in a specified procedures engagement, findings of the practitioner. (Terms such as <i>working papers</i> or	

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<i>workpapers</i> are also sometimes used).	
Engagement partner. The partner or other person in the firm who is responsible for the direct engagement and its performance and for the practitioner's report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body. <i>Engagement partner, partner, and firm</i> refer to their governmental equivalents when relevant.	
Engagement team. All partners and staff performing the direct engagement and any individuals engaged by the firm or a network firm who perform procedures on the direct engagement. This excludes a practitioner's external specialist and engagement quality control reviewer engaged by the firm or a network firm. The term <i>engagement team</i> also excludes individuals within the client's internal audit function who provide direct assistance.	
Engaging party. The party(ies) that engages the practitioner to perform the direct engagement. (Ref: par. CC A16)	<i>Engaging Party (Ref: par. CC12)</i> CC A16. The engaging party, depending on the circumstances, may be management or those charged with governance of the responsible party, a governmental body or agency, the intended users, or another third party.
Evidence. Information used by the practitioner in arriving at the opinion, conclusion, or findings on which the practitioner's report is based.	
Firm. A form of organization permitted by law or regulation whose characteristics conform to resolutions of the Council of the AICPA and that is engaged in the practice of public accounting.	
Fraud. An intentional act involving the use of deception that results in a misstatement in the subject matter.	
General use. Use of a practitioner's report that is not restricted to specified parties.	
Internal audit function. A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management, and internal control processes.	
Misstatement. An instance in which the subject matter does not conform with the criteria. Misstatements can be intentional or unintentional, qualitative or	

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quantitative, and include omissions. In certain engagements, a misstatement may be referred to as a <i>deviation, exception, or instance of noncompliance</i> .	
Modified opinion. A qualified opinion, an adverse opinion, or a disclaimer of opinion.	
Network firm. A firm or other entity that belongs to a network, as defined in ET section 0.400, <i>Definitions (AICPA, Professional Standards)</i> .	
Noncompliance with laws or regulations. Acts of omission or commission by the entity, either intentional or unintentional, that are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. <i>Noncompliance</i> does not include personal misconduct (unrelated to the subject matter) by those charged with governance, management, or employees of the entity.	
Other practitioner. An independent practitioner who is not a member of the engagement team who performs work on information that will be used as evidence by the practitioner performing the attestation engagement. An other practitioner may be part of the practitioner's firm, a network firm, or another firm.	
Practitioner. The person or persons conducting the attestation engagement, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. When this section expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term <i>engagement partner</i> , rather than <i>practitioner</i> , is used. <i>Engagement partner</i> and <i>firm</i> are to be read as referring to their governmental equivalents when relevant.	
Practitioner's specialist. An individual or organization possessing expertise in a field other than accounting or attestation, whose work in that field is used by the practitioner to assist the practitioner in obtaining evidence for the service being provided. A practitioner's specialist may be either a practitioner's internal specialist (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm) or a practitioner's external specialist. <i>Partner</i> and <i>firm</i> refer to their governmental equivalents when relevant.	
Professional judgment. The application of relevant training, knowledge, and	

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experience, within the context provided by attestation and ethical standards in making informed decisions about the courses of action that are appropriate in the circumstances of the attestation engagement.	
Professional skepticism. An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of evidence.	
Reasonable assurance. A high, but not absolute, level of assurance.	
Report release date. The date on which the practitioner grants the engaging party permission to use the practitioner’s report.	
Responsible party. The party(ies) responsible for the subject matter.	
Specified party. The intended user(s) to whom use of the written practitioner’s report is limited.	
Subject matter. The phenomenon that is measured or evaluated by applying criteria.	
CC13. For the purposes of the attestation standards, references to appropriate party(ies) should be read hereafter as the responsible party or the engaging party, as appropriate. (Ref: par. 0)	<i>Appropriate Party (Ref: par. CC13)</i> CC A17. Management and governance structures vary by entity, reflecting influences such as size and ownership characteristics. Such diversity means that it is not possible for the direct engagement attestation standards to specify for all engagements the person(s) with whom the practitioner is to interact regarding particular matters. For example, an entity may be a segment of an organization and not a separate legal entity. In such cases, identifying the appropriate management personnel or those charged with governance with whom to communicate may require the exercise of professional judgment.
Requirements	
Conduct of a Direct Engagement in Accordance With the Attestation Standards	Conduct of a Direct Engagement in Accordance With the Attestation Standards
<i>Complying With Paragraphs in This Section That Are Relevant to the Engagement</i>	<i>Complying With AT-C Sections That Are Relevant to the Engagement (Ref: par. CC16)</i>

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<p>CC14. When performing a direct examination or review engagement, the practitioner should comply with the relevant paragraphs in</p> <ul style="list-style-type: none"> • this section; and • section EXX or RXX, as applicable 	
<p>CC15. The practitioner should not represent compliance with this section unless the practitioner has complied with the relevant requirements of this section.</p>	
<p>CC16. Reports issued by a practitioner in connection with services performed under other professional standards should be written to be clearly distinguishable from and not confused with reports issued under the direct engagement standards. (Ref: par. CC A18–CC A19)</p>	<p>CC A18. A practitioner’s report that merely excludes the phrase “was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants” but is otherwise similar to a practitioner’s direct examination, direct review report is an example of a practitioner’s report that is not clearly distinguishable from, and could be confused with, a report issued under the direct engagement attestation standards.</p>
	<p>CC A19. Paragraph CC16 does not prohibit combining reports issued by a practitioner under the attestation standards with reports issued under other professional standards</p>
<p><i>Text of This Section</i></p>	<p><i>Text of an AT-C Section (Ref: par. CC17)</i></p>
<p>CC17. When performing a direct engagement, the practitioner should have an understanding of the entire text of each AT-C section that is relevant to the engagement being performed, including its application and other explanatory material, to understand its objectives and apply its requirements properly. (Ref: par. CC A20CC A24CC A25)</p>	<p>CC A20. The AT-C sections contain the objectives of the practitioner and requirements designed to enable the practitioner to meet those objectives. In addition, they contain related guidance in the form of application and other explanatory material, introductory material that provides context relevant to a proper understanding of the section, and definitions.</p>
	<p>CC A21. Introductory material may include, as needed, such matters as an explanation of the following:</p> <ul style="list-style-type: none"> • The purpose and scope of the AT-C section, including how the AT-C section relates to other AT-C sections • The subject matter of the AT-C section

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	<ul style="list-style-type: none"> • The respective responsibilities of the practitioner and others regarding the subject matter of the AT-C section • The context in which the AT-C section is set
	<p>CC A22. The application and other explanatory material provides further explanation of the requirements of an AT-C section and guidance for carrying them out. In particular, it may</p> <ul style="list-style-type: none"> a. explain more precisely what a requirement means or is intended to cover and b. include examples of procedures that may be appropriate in the circumstances. <p>Although such guidance does not, in itself, impose a requirement, it may explain the proper application of the requirements of an AT-C section. The application and other explanatory material may also provide background information on matters addressed in an AT-C section. They do not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in applicable AT-C sections.</p>
	<p>CC A23. The practitioner is required by paragraph CC17 to understand the application and other explanatory material. How the practitioner applies the guidance in the engagement depends on the exercise of professional judgment in the circumstances consistent with the objective of the section. The words <i>may</i>, <i>might</i>, and <i>could</i> are used to describe these actions and procedures.</p>
	<p>CC A24. An AT-C section may include, in a separate section under the heading “Definition(s),” a description of the meanings attributed to certain terms for purposes of the AT-C section. These are provided to assist in the consistent application and interpretation of the AT-C section and are not intended to override definitions that may be established for other purposes, whether in law, regulation, or otherwise. Unless otherwise indicated, those terms will carry the same meanings in all AT-C sections.</p>
	<p>CC A25. Appendixes form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the</p>

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	body of the related AT-C section or within the title and introduction of the appendix itself.
<i>Complying With Relevant Requirements</i>	<i>Complying With Relevant Requirements (Ref: par. CC19)</i>
CC18. Subject to paragraph CC22, the practitioner should comply with each requirement of the direct AT-C sections that is relevant to the direct engagement being performed, unless, in the circumstances of the engagement, the requirement is not relevant because it is conditional, and the condition does not exist.	
CC19. When a practitioner undertakes a direct engagement for the benefit of a government body or agency and agrees to follow specified government standards, guides, procedures, statutes, rules, and regulations, the practitioner should comply with those governmental requirements as well as the applicable direct AT-C sections. (Ref: par. CC A26)	CC A26. In certain attestation engagements, the practitioner also may be required to comply with other requirements in addition to the attestation standards. The attestation standards do not override law or regulation that governs the attestation engagement. In the event that such law or regulation differs from attestation standards, an attestation engagement conducted only in accordance with law or regulation will not necessarily comply with the attestation standards
<i>Practitioner’s Report Prescribed by Law or Regulation</i>	<i>Practitioner’s Report Prescribed by Law or Regulation (Ref: par. CC20)</i>
CC20. If the practitioner is required by law or regulation to use a specific layout, form, or wording of the practitioner’s report and the prescribed form of report is not acceptable or would cause a practitioner to make a statement that the practitioner has no basis to make, the practitioner should reword the prescribed form of report or attach an appropriately worded separate practitioner’s report. (Ref: par. .CC A27)	CC A27. Some report forms can be made acceptable by inserting additional wording to include the elements required by sections [insert sections for Direct Engagements or Specified Procedures]. 6 Some report forms required by law or regulation can be made acceptable only by complete revision because the prescribed language of the practitioner’s report calls for statements by the practitioner that are not consistent with the practitioner’s function or responsibility, for example, a report form that requests the practitioner to “certify” the subject matter.
<i>Defining Professional Requirements in the Direct Engagement Standards</i>	
CC21. The direct engagement standards use the following two categories of professional requirements, identified by specific terms, to describe the degree of responsibility it imposes on practitioners: <ul style="list-style-type: none"> • <i>Unconditional requirements.</i> The practitioner must comply with an unconditional requirement in all cases in which such requirement is relevant. The direct engagement standards use the word <i>must</i> to indicate an unconditional requirement. • <i>Presumptively mandatory requirements.</i> The practitioner must comply with 	

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<p>a presumptively mandatory requirement in all cases in which such a requirement is relevant, except in rare circumstances discussed in paragraph CC22. The direct engagement standards use the word should to indicate a presumptively mandatory requirement.</p>	
<p><i>Departure From a Relevant Requirement</i></p>	<p><i>Departure From a Relevant Requirement (Ref: par. CC22)</i></p>
<p>CC22. In rare circumstances, the practitioner may judge it necessary to depart from a relevant presumptively mandatory requirement. In such circumstances, the practitioner should perform alternative procedures to achieve the intent of that requirement. The need for the practitioner to depart from a relevant, presumptively mandatory requirement is expected to arise only when the requirement is for a specific procedure to be performed and, in the specific circumstances of the direct engagement, that procedure would be ineffective in achieving the intent of the requirement. (Ref: par. .CC A28)</p>	<p>CC A28. Paragraph CC43 prescribes documentation requirements when the circumstances described in paragraph CC22 occur.</p>
<p><i>Interpretive Publications</i></p>	<p><i>Interpretive Publications (Ref: par. CC23)</i></p>
<p>CC23. The practitioner should consider applicable interpretive publications in planning and performing the direct engagement. (Ref: par. .CC A29)</p>	<p>CC A29. <i>Interpretive publications</i> are not attestation standards. Interpretive publications are recommendations on the application of the attestation standards in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the relevant senior technical committee after all members of the committee have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the attestation standards. Examples of interpretive publications are interpretations of the attestation standards, exhibits to the AT-C sections, and attestation guidance included in AICPA guides and attestation Statements of Position (SOPs). Interpretations of the AT-C sections and exhibits are included within the AT-C sections in AICPA <i>Professional Standards</i>. AICPA guides and attestation SOPs are listed in AT-C appendix A, “AICPA Guides and Statements of Position,” of AICPA <i>Professional Standards</i>.</p>
<p><i>Other Attestation Publications</i></p>	<p><i>Other Attestation Publications (Ref: par. CC24)</i></p>
<p>CC24. In applying the attestation guidance included in an other attestation publication, the practitioner should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the</p>	<p>CC A30. Other <i>attestation publications</i> are publications other than interpretive publications. These include AICPA attestation publications not defined as interpretive publications; attestation articles in the <i>Journal of Accountancy</i> and other professional journals; continuing professional</p>

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<p>direct engagement. (Ref: par. CC A30–CC A32)</p>	<p>education programs and other instruction materials, textbooks, guidebooks, attestation programs, and checklists; and other attestation publications from state CPA societies, other organizations, and individuals. Other attestation publications have no authoritative status; however, they may help the practitioner understand and apply the attestation standards. The practitioner is not expected to be aware of the full body of other attestation publications.</p>
	<p>CC A31. Although the practitioner determines the relevance of these publications in accordance with paragraph CC24, the practitioner may presume that other attestation publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are appropriate. These other attestation publications are listed in AT-C appendix B, “Other Attestation Publications,” of AICPA <i>Professional Standards</i>.</p>
	<p>CC A32. In determining whether an other attestation publication that has not been reviewed by the AICPA Audit and Attest Standards staff is appropriate to the circumstances of the attestation engagement, the practitioner may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying the attestation standards and the degree to which the issuer or author is recognized as an authority in attestation matters.</p>
<p>Acceptance and Continuance</p>	
<p>CC25. The engagement partner should be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and direct engagements have been followed and should determine that conclusions reached in this regard are appropriate.</p>	
<p>Preconditions for a Direct Examination or Review Engagement</p>	
<p>CC26. The practitioner must be independent when performing a direct examination or review engagement in accordance with the direct engagement standards unless the practitioner is required by law or regulation to accept the direct engagement and report on the subject matter. (Ref: par. CC A33–)</p>	<p>Preconditions for a Direct Examination or Review Engagement (Ref: par. CC26–CC27-b[ii])</p> <p>CC A33. The “Independence Standards for Engagements Performed in Accordance With Statements on Standards for Attestation Engagements” interpretation (ET sec. 1.297), establishes special requirements for independence for services provided under the attestation standards. In addition, the “Conceptual Framework Approach” interpretation (ET sec. 1.210.010) discusses threats to independence not specifically detailed elsewhere, for example, when the practitioner has an interest in the subject matter.</p>
<p>CC27. In order to establish that the preconditions for a direct examination or</p>	<p>CC A34. The responsible party may acknowledge its responsibility for the subject matter as it relates to the objective of the engagement in a number of</p>

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review engagement are present, the practitioner should determine both of the following:

- a. The responsible party is a party other than the practitioner and takes responsibility for the subject matter. (Ref: par. .CC A34)
- b. The direct examination or review engagement exhibits all of the following characteristics:
 - i. The subject matter is appropriate. (Ref: par. CC A35–CC A41)

ways, for example, in an engagement letter, a representation letter, or the presentation of the subject matter, including the notes thereto. Examples of other evidence of the responsible party’s responsibility for the subject matter include reference to legislation, a regulation, or a contract.

Appropriateness of Subject Matter (Ref: par. CC27b[i])

CC A35. An element of the appropriateness of subject matter is the existence of a reasonable basis for measuring or evaluating the subject matter. The responsible party in an attestation engagement is responsible for having a reasonable basis for measuring or evaluating the subject matter. What constitutes a reasonable basis will depend on the nature of the subject matter and other engagement circumstances. In some cases, a formal process with extensive internal controls may be needed to provide the responsible party with a reasonable basis for concluding that the measurement or evaluation of the subject matter is free from material misstatement. The fact that the practitioner will report on the subject matter is not a substitute for the responsible party’s own processes to have a reasonable basis for measuring or evaluating the subject matter .

CC A36. An appropriate subject matter

- a. is identifiable and capable of consistent measurement or evaluation against the criteria and
- b. can be subjected to procedures for obtaining sufficient appropriate evidence to support an opinion, conclusion, or findings, as appropriate.

CC A37. If the subject matter is not appropriate for an direct examination engagement, it also is not appropriate for a direct review engagement.

CC A38. Different subject matters have different characteristics, including the degree to which information about them is qualitative versus

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quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period. Such characteristics affect the following:

- a. Precision with which the subject matter can be measured or evaluated against criteria
- b. The persuasiveness of available evidence

CC A39. Identifying such characteristics and considering their effects assists the practitioner when assessing the appropriateness of the subject matter and also in determining the content of the practitioner's report

Determining Whether to Perform an Attestation Engagement Under the Direct Engagements Attestation Standards

CC A40. Most engagements performed under the assertion-based attestation standards may also be performed under the direct engagements attestation standards. However, factors such as the following are relevant to the practitioner's decision about whether to perform the engagement under the direct engagements attestation standards:

- Law or regulation may require that the engagement be performed under the assertion based attestation standards
- The subject matter is internal control based on the COSO criteria. If management is unable to provide an assertion because it is unable to evaluate the subject matter against the criteria, the likelihood is that the opinion

CC A41. In some cases, the attestation engagement may relate to only one part of a broader subject matter. For example, the practitioner may be engaged to examine one aspect of an entity's contribution to sustainable development, such as the programs run by the entity that have positive environmental outcomes, and may be aware that the practitioner has not been engaged to examine more significant programs with less favorable outcomes. In such cases, in determining whether the engagement exhibits the

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	<p>characteristic of having an appropriate subject matter, it may be appropriate for the practitioner to consider whether information about the aspect that the practitioner is asked to examine is likely to meet the information needs of intended users</p>
<p>ii. The criteria to be applied in the preparation and evaluation of the subject matter are suitable and will be available to the intended users. (Ref: par. .CC A42–CC A52)</p>	<p><i>Suitable and Available Criteria (Ref: par. CC27b(ii))</i></p> <p>CC A42. Suitable criteria exhibit all of the following characteristics:</p> <ul style="list-style-type: none"> • <i>Relevance.</i> Criteria are relevant to the subject matter. • <i>Objectivity.</i> Criteria are free from bias. • <i>Measurability.</i> Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter. • <i>Completeness.</i> Criteria are complete when subject matter prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter. The relative importance of each characteristic to a particular engagement is a matter of professional judgment.
	<p>CC A43. Criteria can be developed in a variety of ways, for example, they may be</p> <ul style="list-style-type: none"> • embodied in laws or regulations. • issued by authorized or recognized bodies of experts that follow a transparent due process. • developed collectively by a group that does not follow a transparent due process. • published in scholarly journals or books. • developed for sale on a proprietary basis.

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	<ul style="list-style-type: none"> • specifically designed for the purpose of measuring, evaluating, or disclosing the subject matter in the particular circumstances of the engagement. <p>How criteria are developed may affect the work that the practitioner carries out to assess their suitability.</p>
	<p>CC A44. Criteria that are established or developed by groups composed of experts that follow due process procedures, including exposure of the proposed criteria for public comment, are ordinarily considered suitable. Criteria promulgated by a body designated by the Council of the AICPA under the AICPA Code of Professional Conduct are, by definition, considered to be suitable.</p>
	<p>CC A45. In some cases, laws or regulations prescribe the criteria to be used for the engagement. In the absence of indications to the contrary, such criteria are presumed to be suitable.</p>
	<p>CC A46. Criteria may be established or developed by the engaging party, the responsible party, industry associations, or other groups that do not follow due process procedures or do not as clearly represent the public interest. The practitioner's determination of whether such criteria are suitable is based on the characteristics described in paragraph. CC A42.</p>
	<p>CC A47. Regardless of who establishes or develops the criteria, the responsible party or the engaging party is responsible for selecting the criteria (unless an outside party specifies the criteria such as an industry group) and the engaging party is responsible for determining that such criteria are appropriate for its purposes.</p>
	<p>CC A48. Some criteria may be suitable for only a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria. For example, criteria set forth in a lease agreement for override payments may be suitable only for reporting to the parties to the agreement because of the likelihood that such criteria would be misunderstood or misinterpreted by parties other than those who have specifically agreed to the criteria. Such criteria can be agreed upon directly by the parties or through a designated representative.</p>
	<p>CC A49. Even when established criteria exist for a subject matter, specific users may agree to other criteria for their specific purposes. For example, various frameworks can be used as established criteria for evaluating the</p>

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	effectiveness of internal control. Specific users may, however, develop a more detailed set of criteria that meet their specific information needs.
	CC A50. If criteria are specifically designed for the purpose of measuring, evaluating, or disclosing the subject matter in the particular circumstances of the engagement, they are not suitable if they result in subject matter or a practitioner’s report that is misleading to the intended users. It is desirable for the intended users or the engaging party to acknowledge that specifically developed criteria are suitable for the intended users’ purposes. The absence of such an acknowledgement may affect what is to be done to assess the suitability of the criteria and the information provided about the criteria in the report.
	CC A51. Criteria need to be available to the intended users to allow them to understand how the subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways: <ul style="list-style-type: none"> a. Publicly b. Through inclusion in a clear manner in the presentation of the subject matter c. Through inclusion in a clear manner in the practitioner’s report d. By general understanding, for example, the criterion for measuring time in hours and minutes e. Available only to specified parties, for example, terms of a contract or criteria issued by an industry association that are available only to those in the industry
	CC A52. When criteria are available only to specified parties, AT-C sections EX and R require a statement restricting the use of the practitioner’s report. ⁷
<p>iii. The practitioner expects to be able to obtain the evidence needed to arrive at the practitioner’s opinion (or conclusion in a direct review engagement), including (Ref: par. .CC A53–CC A54)</p> <p>(1) access to all information of which the responsible party is aware that is relevant to the measurement, evaluation, or disclosure of</p>	<p><i>Access to Evidence (Ref: par. CC27b[iii])</i></p> <p>CC A53. The nature of the relationship between the responsible party and, if different, the engaging party, may affect the practitioner’s ability to access records, documentation, and other information the practitioner may require</p>

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<p>the subject matter;</p> <p>(2) access to additional information that the practitioner may request from the responsible party for the purpose of the engagement; and</p> <p>(3) unrestricted access to persons within the appropriate party(ies) from whom the practitioner determines it necessary to obtain evidence.</p> <p>iv. The practitioner’s opinion or conclusion in a direct review engagement), in the form appropriate to the engagement, is to be contained in a written practitioner’s report.</p>	<p>as evidence to arrive at the practitioner’s opinion, conclusion, or findings. Therefore, the nature of that relationship may be a relevant consideration when determining whether or not to accept the engagement.</p> <p>CC A54. The quantity or quality of available evidence is affected by both of the following:</p> <p>a. The characteristics of the subject matter, for example, less objective evidence might be expected when the subject matter is future-oriented, rather than historical.</p> <p>b. Other circumstances, such as when evidence that could reasonably be expected to exist is not available, for example, because of the timing of the practitioner’s appointment, an entity’s document retention policy, inadequate information systems, or a restriction imposed by the responsible party</p>
<p>CC28. If the preconditions in paragraphs.CC26–.CC27 are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue.</p>	
<p>CC29. .The practitioner should accept a direct examination or review engagement only when the practitioner</p> <p>a. has no reason to believe that relevant ethical requirements, including independence, will not be satisfied;</p> <p>b. is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph CC34);</p> <p>c. has determined that the direct engagement to be performed meets all the preconditions for a direct engagement (see also paragraphs CC26–CC27); and</p> <p>d. has reached a common understanding with the engaging party of the terms of the engagement, including the practitioner’s reporting responsibilities.</p>	

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<p>CC30. If it is discovered after the engagement has been accepted that one or more of the preconditions for a direct examination or review engagement is not present, the practitioner should discuss the matter with the appropriate party(ies) and should determine</p> <ul style="list-style-type: none"> a. whether the matter can be resolved; b. whether it is appropriate to continue with the engagement; and c. if the matter cannot be resolved but it is still appropriate to continue with the engagement, whether, and if so how, to communicate the matter in the practitioner’s report. 	
<p>Acceptance of a Change in the Terms of the Engagement</p>	<p>Acceptance of a Change in the Terms of the Engagement (Ref: par. CC31)</p>
<p>CC31. The practitioner should not agree to a change in the terms of the engagement when no reasonable justification for doing so exists. If a change in the terms of the engagement is made, the practitioner should not disregard evidence that was obtained prior to the change. (Ref: par. .CC A55–CC A57)</p>	<p>CC A55. A change in circumstances that affects the requirements of the responsible party or, if different, the engaging party, or a misunderstanding concerning the nature of the engagement originally requested, may be considered reasonable justification for requesting a change in the engagement, for example, from an attestation engagement to a consulting engagement or from a direct examination engagement to a direct review engagement. A change may not be considered reasonable if it appears that the change relates to information that is incorrect, incomplete, or otherwise unsatisfactory. An example of such a circumstance is a request to change the engagement from a direct examination to a direct review to avoid a modified opinion or a disclaimer of opinion in a situation in which the practitioner is unable to obtain sufficient appropriate evidence regarding the subject matter.</p>
	<p>CC A56. If the practitioner and the engaging party are unable to agree to a change in the terms of the engagement and the practitioner is not permitted to continue the original engagement, the practitioner may withdraw from the engagement when possible under applicable laws and regulations.</p>
	<p><i>Acceptance of a Change From an Assertion Based Engagement to a Direct Engagement</i></p>

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	<p>CC A57. After being engaged to perform an attestation engagement under the assertion-based attestation standards, the responsible party might request that the practitioner change the engagement to a direct engagement. The following are some possible reasons for the request:</p> <ul style="list-style-type: none"> • The responsible party states that it misunderstood the terms of the engagement, which the responsible party believes were not sufficiently specific with respect to the assertion. • During the course of the engagement, the practitioner identifies misstatements in the subject matter that the responsible party was not aware of. The responsible party is no longer confident in its assertion or does not wish to provide an assertion that identifies the misstatements.
<p>CC32. If the practitioner concludes, based on the practitioner’s professional judgment, that there is reasonable justification to change the terms of the engagement from an assertion based engagement to a direct engagement, or from a direct engagement to an assertion based engagement, , and if the practitioner complies with the direct AT-C sections applicable to the revised engagement, the practitioner should issue an appropriate practitioner’s report on the revised engagement. The report should not include reference to (a) the original engagement, (b) any procedures that may have been performed, or (c) scope limitations that resulted in the changed engagement</p>	
<p>Using the Work of an Other Practitioner</p>	<p>Using the Work of an Other Practitioner (Ref: par. CC33)</p>
<p>CC33. When the practitioner expects to use the work of an other practitioner, the practitioner should (Ref: par. .CC A58–CC A59)</p>	<p>CC A58. The practitioner is responsible for</p> <ul style="list-style-type: none"> a the direction, supervision, and performance of the engagement in compliance with professional standards; applicable regulatory and legal requirements; and the firm’s policies and procedures and

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<ul style="list-style-type: none"> a. obtain an understanding of whether the other practitioner understands and will comply with the ethical requirements that are relevant to the engagement and, in particular, is independent. b. obtain an understanding of the other practitioner’s professional competence. c. communicate clearly with the other practitioner about the scope and timing of the other practitioner’s work and findings. d. if assuming responsibility for the work of the other practitioner, be involved in the work of the other practitioner. e. evaluate whether the other practitioner’s work is adequate for the practitioner’s purposes. f. determine whether to make reference to the other practitioner in the practitioner’s report. 	<ul style="list-style-type: none"> b determining whether the practitioner’s report that is issued is appropriate in the circumstances. The practitioner may, however, use the work of other practitioners to obtain sufficient appropriate evidence to express an opinion, conclusion, or findings on the subject matter. <p>CC A59. The engagement partner may decide to assume responsibility for the work of the other practitioner or to make reference to the other practitioner in the practitioner’s report. Regardless of whether the engagement partner decides to assume responsibility or make reference, the practitioner is required to communicate clearly with the other practitioner and evaluate whether the other practitioner’s work is adequate for the purposes of the engagement. The nature, timing, and extent of this involvement are affected by the practitioner’s understanding of the other practitioner, such as previous experience with, or knowledge of, the other practitioner and the degree to which the engagement team and the other practitioner are subject to common quality control policies and procedures.</p>
<p>Quality Control</p>	<p>Quality Control</p>
<p><i>Assignment of the Engagement Team and the Practitioner’s Specialists</i></p>	<p><i>Assignment of the Engagement Team and the Practitioner’s Specialists (Ref: par. CC34a–b[i])</i></p>
<p>CC34. The engagement partner should be satisfied that</p> <ul style="list-style-type: none"> a. the engagement team, and any practitioner’s external specialists, collectively, have the appropriate competence, including knowledge of the subject matter, and capabilities to (Ref: par. .CC A60–CC A61) <ul style="list-style-type: none"> i perform the direct examination or review engagement in accordance with professional standards and applicable legal and 	<p>CC A60. The practitioner may obtain knowledge about the specific subject matter to which the procedures are to be applied through formal or continuing education, practical experience, or consultation with others.</p>

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<p>regulatory requirements and</p> <ul style="list-style-type: none">ii. enable the issuance of a practitioner’s report that is appropriate in the circumstances. <p>b. to an extent that is sufficient to accept responsibility for the opinion (or conclusion in a direct review engagement), on the subject matter , the engagement team will be able to be involved in the work of</p> <ul style="list-style-type: none">i. a practitioner’s external specialist when the work of that specialist is to be used and (Ref: par. .A61)ii. an other practitioner, when the work of that practitioner is to be used. <p>c. those involved in the direct examination or review engagement have been informed of their responsibilities, including the objectives of the procedures they are to perform and matters that may affect the nature, timing, and extent of such procedures.</p> <p>d. engagement team members have been directed to bring to the engagement partner’s attention significant questions raised during the direct examination or review engagement so that their significance may be assessed.</p>	
	<p>CC A61. When considering the appropriate competence and capabilities expected of those involved in the engagement, the engagement partner may take into consideration such matters as their</p> <ul style="list-style-type: none">• understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation.• understanding of professional standards and applicable legal and regulatory requirements.• technical expertise, including expertise with relevant IT and specialized areas relevant to the subject matter.• knowledge of relevant industries in which the entity operates.

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	<ul style="list-style-type: none"> • ability to apply professional judgment. • understanding of the firm’s quality control policies and procedures
	<p>CC A62. Some of the attestation work may be performed by a multidisciplinary team that includes one or more practitioner’s specialists. For example, in an examination engagement, a practitioner’s specialist may be needed to assist the practitioner in obtaining an understanding of the subject matter and other engagement circumstances or in assessing or responding to the risk of material misstatement.</p>
<i>Leadership Responsibilities for Quality in Direct Engagements</i>	<i>Leadership Responsibilities for Quality in Direct Engagements (Ref: par. CC35c)</i>
<p>CC35. The engagement partner should take responsibility for the overall quality on each attestation engagement. This includes responsibility for the following:</p> <ul style="list-style-type: none"> a. Appropriate procedures being performed regarding the acceptance and continuance of client relationships and engagements b. The engagement being planned and performed (including appropriate direction and supervision) to comply with professional standards and applicable legal and regulatory requirements c. Reviews being performed in accordance with the firm’s review policies and procedures and reviewing the engagement documentation on or before the date of the practitioner’s report (Ref: par. .CC A63) d. Appropriate engagement documentation being maintained to provide evidence of achievement of the practitioner’s objectives and that the engagement was performed in accordance with the attestation standards and relevant legal and regulatory requirements e. Appropriate consultation being undertaken by the engagement team on difficult or contentious matters 	<p>CC A63. Under QC section 10, the firm’s review responsibility policies and procedures are determined on the basis that suitably experienced team members review the work of other team members. The engagement partner may delegate part of the review responsibility to other members of the engagement team, in accordance with the firm’s system of quality control.</p>
Engagement Documentation	Engagement Documentation

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<p>CC36. The practitioner should prepare engagement documentation on a timely basis. (Ref: par. CC A64)</p>	<p>(Ref: par. CC36–CC37) CC A64. Documentation prepared at the time work is performed or shortly thereafter is likely to be more accurate than documentation prepared at a much later time.</p>
<p>CC37. The practitioner should assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file no later than 60 days following the practitioner’s report release date. (Ref: par. .A64)</p>	<p>CC A65. The completion of the assembly of the final engagement file is an administrative process that does not involve the performance of new procedures or the drawing of new conclusions. Changes may, however, be made to the documentation during the final assembly process if they are administrative in nature. Examples of such changes include the following:</p> <ul style="list-style-type: none"> • Deleting or discarding superseded documentation • Sorting, collating, and cross-referencing working papers • Signing off on completion checklists relating to the file assembly process • Documenting evidence that the practitioner has obtained, discussed, and agreed with the relevant members of the engagement team before the date of the practitioner’s report • Adding information received after the date of the report, for example, an original confirmation that was previously faxed.
<p>CC38. After the documentation completion date, the practitioner should not delete or discard documentation of any nature before the end of its retention period.</p>	
<p>CC39. If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the documentation completion date, the practitioner should, regardless of the nature of the amendments or additions, document</p> <ol style="list-style-type: none"> a. the specific reasons for making the amendments or additions and b. when, and by whom, they were made and reviewed. 	
<p>CC40. Engagement documentation is the property of the practitioner, and some jurisdictions recognize this right of ownership in their statutes. The</p>	

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<p>practitioner should adopt reasonable procedures to retain engagement documentation for a period of time sufficient to meet the needs of the practitioner and to satisfy any applicable legal or regulatory requirements for records retention.</p>	
<p>CC41. Because engagement documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information.</p>	
<p>CC42. The practitioner also should adopt reasonable procedures to prevent unauthorized access to engagement documentation.</p>	
<p>CC43. If, in rare circumstances, the practitioner judges it necessary to depart from a relevant, presumptively mandatory requirement, the practitioner should document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. (See paragraph CC22.)</p>	
<p>Engagement Quality Control Review</p>	<p>Engagement Quality Control Review (Ref: par. CC44)</p>
<p>CC44. For those direct engagements, if any, for which the firm has determined that an engagement quality control review is required (Ref: par. .CC A66)</p> <ul style="list-style-type: none"> a. the engagement partner should take responsibility for discussing with the engagement quality control reviewer significant findings or issues arising during the engagement, including those identified during the engagement quality control review, and not release the practitioner’s report until completion of the engagement quality control review and b. the engagement quality control reviewer should perform an objective evaluation of the significant judgments made by the engagement team and the conclusions reached in formulating the report. This evaluation should include the following: <ul style="list-style-type: none"> i. Discussion of significant findings or issues with the engagement partner ii. Reading the written subject matter and the proposed report iii. Reading selected engagement documentation relating to the 	<p>CC A66. Other matters that may be considered in an engagement quality control review include the following:</p> <ul style="list-style-type: none"> a. The engagement team’s evaluation of the firm’s independence in relation to the engagement b. Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters and the conclusions arising from those consultations c. Whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached

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<p>significant judgments the engagement team made and the related conclusions it reached</p> <p>iv. Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate</p>	
<p>Professional Skepticism and Professional Judgment</p>	<p>Professional Skepticism and Professional Judgment</p>
<p><i>Professional Skepticism</i></p>	<p><i>Professional Skepticism (Ref: par. CC45)</i></p>
<p>CC45. The practitioner should plan and perform a direct engagement with professional skepticism. (Ref: par. .CC A67–CC A69)</p>	<p>CC A67. Professional skepticism includes being alert to matters such as the following:</p> <ul style="list-style-type: none"> • Evidence that contradicts other evidence obtained • Information that brings into question the reliability of documents and responses to inquiries to be used as evidence • Circumstances that may indicate fraud • Circumstances that suggest the need for procedures in addition to those required by relevant AT-C sections
<p>CC46. Unless the practitioner has reason to believe the contrary, the practitioner may accept records and documents as genuine. If conditions identified during the direct engagement cause the practitioner to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the practitioner, the practitioner should investigate further.</p>	<p>CC A68. Professional skepticism is necessary to the critical assessment of evidence. This includes questioning contradictory evidence and the reliability of documents and responses to inquiries and other information obtained from the appropriate party. It also includes consideration of the sufficiency and appropriateness of evidence obtained in light of the circumstances.</p>
	<p>CC A69. The practitioner neither assumes that the appropriate party is dishonest nor assumes unquestioned honesty. The practitioner cannot be expected to disregard past experience of the honesty and integrity of those who provide evidence. Nevertheless, a belief that those who provide evidence are honest and have integrity does not relieve the practitioner of the need to maintain professional skepticism or allow the practitioner to be satisfied with less than sufficient appropriate evidence for the service being provided.</p>

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<i>Professional Judgment</i>	<i>Professional Judgment (Ref: par. CC47)</i>
<p>CC47. The practitioner should exercise professional judgment in planning and performing a direct engagement. (Ref: par. .CC A70–CC A75)</p>	<p>CC A70. Professional judgment is essential to the proper conduct of an attestation engagement. This is because interpretation of relevant ethical requirements and relevant AT-C sections and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances.</p>
	<p>CC A71. For direct examination and direct review engagements, professional judgment is necessary regarding decisions about the following matters:</p> <ul style="list-style-type: none"> • Materiality and attestation risk • The nature, timing, and extent of procedures used to meet the requirements of relevant AT-C sections and gather evidence • Evaluating whether sufficient appropriate evidence for the service being provided has been obtained and whether more needs to be done to achieve the objectives of the applicable section, and thereby the overall objectives of the practitioner • The evaluation of the responsible party’s judgments in applying the criteria • The drawing of conclusions based on the evidence obtained, for example, assessing the reasonableness of the evaluation or measurement of subject matter
	<p>CC A72. The distinguishing feature of professional judgment expected of a practitioner is that such judgment is exercised based on competencies necessary to achieve reasonable judgments developed by the practitioner through relevant training, knowledge, and experience.</p>
	<p>CC A73. The exercise of professional judgment in any particular case is based on the facts and circumstances that are known by the practitioner. Consultation on difficult or contentious matters during the course of the engagement, both within the engagement team and between the engagement team and others at the appropriate level within or outside the firm, assist the</p>

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	practitioner in making informed and reasonable judgments.
	CC A74. Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of the attestation standards and measurement or evaluation principles and is appropriate in light of, and consistent with, the facts and circumstances that were known to the practitioner up to the date of the practitioner's report.
	CC A75. The requirement to exercise professional judgment applies throughout the engagement. Professional judgment also needs to be appropriately documented as required by sections EX and R.

Direct Examination Engagements

Proposed AT-C Section, <i>Direct Examination Engagements</i> Requirements	Proposed <i>Concepts Common to All Direct Engagements</i> Application and Other Explanatory Material
Introduction (Ref: par.	
EX 1. This section contains performance and reporting requirements and application guidance for all direct examination engagements. The requirements and guidance in this section supplement the requirements and guidance in section CC, <i>Concepts Common to All Direct Engagements</i> .	
Objectives	
EX 2. In conducting a direct examination engagement, the objectives of the practitioner are to <ul style="list-style-type: none"> a. obtain reasonable assurance about whether the subject matter as measured or evaluated against the criteria is free from material misstatement; b. express an opinion in a written report about the outcome of the measurement or evaluation of the subject matter in accordance with (or based on) the criteria, in all material respects c. communicate further as required by relevant paragraphs of this section. 	

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Proposed AT-C Section, <i>Direct Examination Engagements</i> Requirements	Proposed <i>Concepts Common to All Direct Engagements</i> Application and Other Explanatory Material
Definitions	
EX 3. For purposes of this section, the following terms have the meanings attributed as follows:	
Appropriateness of direct examination evidence. The measure of the quality of evidence, that is, its relevancy and reliability in providing support for the practitioner's opinion.	
Risk of material misstatement. The risk that the subject matter is not in accordance with (or based on) the criteria in all material respects .	
Sufficiency of direct examination evidence. The measure of the quantity of direct examination evidence. The quantity of the direct examination evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.	
Test of controls. A procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements in the subject matter.	
Requirements	
Conduct of a Direct Examination Engagement (Ref: par. EX A1)	Conduct of a Direct Examination Engagement (Ref: par. EX 4)
EX 4. In performing a direct examination engagement, the practitioner should comply with this section and section CC.	EX A1. For example, if a practitioner were performing a direct examination engagement, section CC and this section would be applicable.
Preconditions for a Direct Examination Engagement	
EX 5. Paragraph CC26 indicates that a practitioner must be independent when performing a direct engagement in accordance with the direct engagement standards, unless the practitioner is required by law or regulation to accept the engagement and report on the subject matter. ² When the practitioner is not independent in a direct examination engagement but is required by law or regulation to accept the	

² Paragraph .24 of section 105, *Concepts Common to All Attestation Engagements*.

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<p>engagement and report on the subject matter, the practitioner should disclaim an opinion and should specifically state that the practitioner is not independent. The practitioner is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the practitioner chooses to provide the reasons for the lack of independence, the practitioner should include all the reasons therefor.</p>	
<p>Agreeing on the Terms of the Engagement</p>	<p>Agreeing on the Terms of the Engagement (Ref: par. EX 6, EX 7b, and EX 7e)</p>
<p>EX 6. The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. EX A2)</p>	<p>EX A2. It is in the interests of both the engaging party and the practitioner to document the agreed upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.</p>
<p>EX 7. The agreed-upon terms of the engagement should include the following:</p> <ul style="list-style-type: none"> a. The objective and scope of the engagement b. The responsibilities of the practitioner (Ref: par. EX A3) c. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants d. The responsibilities of the responsible party and the responsibilities of the engaging party, if different e. A statement about the inherent limitations of a direct examination engagement (Ref: par. EX A4) f. Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter g. An acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement 	<p>EX A3. A practitioner may further describe the responsibilities of the practitioner by adding the following items to the engagement letter or other suitable form of written agreement:</p> <ul style="list-style-type: none"> a. A statement that a direct examination is designed to obtain reasonable assurance about whether the subject matter as measured or evaluated against the criteria is free from material misstatement b. A statement that the objective of a direct examination is the expression of an opinion in a written practitioner’s report about whether the subject matter is in accordance with (or based on) the criteria, in all material respects <p>EX A4. If relevant, a statement about the inherent limitations of a direct examination engagement may indicate that “because of the inherent limitations of a direct examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the direct examination is properly planned and performed in accordance with the attestation</p>

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<p>EX 8. Although an engagement may recur, each engagement is considered a separate engagement. The practitioner should assess whether circumstances require revision to the terms of a preceding engagement. If the practitioner concludes that the terms of the preceding engagement need not be revised for the current engagement, the practitioner should remind the engaging party of the terms of the current engagement, and the reminder should be documented.</p>	<p>standards.”</p>
<p>Planning and Performing the Direct Examination Engagement</p>	<p>Planning and Performing the Engagement (Ref: par. EX 9)</p>
<p>EX 9. The practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and guides the development of the engagement plan. (Ref: par. .EX A5–EX A8)</p>	<p>EX A5. Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner’s specialists in developing</p> <ul style="list-style-type: none"> • an overall strategy for the scope, timing, and conduct of the engagement and • an engagement plan, consisting of a detailed approach for the nature, timing, and extent of procedures to be performed. <p>Adequate planning helps the practitioner to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner in properly assigning work to engagement team members and facilitates the direction, supervision, and review of their work. Further, it assists, when applicable, the coordination of work performed by other practitioners and practitioner’s specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner’s previous experience with it. Examples of relevant matters that may be considered include the following:</p>

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	<ul style="list-style-type: none"> • The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the underlying subject matter, and the criteria • The expected timing and the nature of the communications required • The results of preliminary engagement activities, such as client acceptance, and, when 3 and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the appropriate party(ies) is relevant • The engagement process, including possible sources of evidence, and choices among alternative measurement or evaluation methods • The practitioner’s understanding of the appropriate party(ies) and its (their) environment, including the risks that the subject matter may be materially misstated • Identification of intended users and their information needs and consideration of materiality and the components of attestation risk • The risk of fraud relevant to the engagement • The effect on the engagement of using the internal audit function
	<p>EX A6. The practitioner may decide to discuss elements of planning with the appropriate party(ies) to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the responsible party’s personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the practitioner’s responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with</p>

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	the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.
	EX A7. Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or evidence obtained, the practitioner may need to revise the overall strategy and engagement plan and, thereby, the resulting nature, timing, and extent of planned procedures.
	EX A8. In smaller or less complex engagements, the entire engagement may be conducted by a very small engagement team, possibly involving the engagement partner (who may be a sole practitioner) working without any other engagement team members. With a smaller team, coordination of, and communication among, team members is easier. In such cases, establishing the overall engagement strategy need not be a complex or time-consuming exercise; it varies according to the size of the entity, complexity of the engagement, and size of the engagement team.
<p>EX 10. In establishing the overall engagement strategy, the practitioner should</p> <ul style="list-style-type: none"> a. identify the characteristics of the engagement that define its scope and ascertain the reporting objectives of the engagement in order to plan the timing of the engagement and the nature of the communications required; b. consider the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts; c. consider the results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and d. ascertain the nature, timing, and extent of resources necessary to perform the engagement. 	
EX 11. The practitioner should develop a plan that includes a description of the following items:	

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<p>a. The nature, timing, and extent of planned risk assessment procedures</p> <p>b. The nature, timing, and extent of planned further procedures (see paragraph EX 19)</p> <p>c. Other planned procedures that are required to be carried out so that the engagement complies with the direct engagement standards</p>	
<p>Risk Assessment Procedures</p>	<p>Risk Assessment Procedures (Ref: par. EX 12)</p>
<p>EX 12. The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to (Ref: par. EX A9)</p> <p>a. enable the practitioner to identify and assess the risks of material misstatement in the subject matter and</p> <p>b. provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner’s opinion.</p>	<p>EX A9. Obtaining an understanding of the subject matter and other engagement circumstances provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example, when</p> <ul style="list-style-type: none"> • considering the characteristics of the subject matter; • assessing the suitability of criteria; • considering the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts, including situations in which special consideration may be necessary (for example, when there is a need for specialized skills or the work of a specialist); • establishing and evaluating the continued appropriateness of quantitative materiality levels (when appropriate) and considering qualitative materiality factors; • developing expectations when performing analytical procedures; • designing and performing procedures; • evaluating evidence, including the reasonableness of the written representations received by the practitioner.
	<p>EX A10. In assessing inherent risk, the practitioner may consider factors relevant to direct examination engagements, such as the following:</p>

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	<ul style="list-style-type: none"> • The complexity of the subject matter or assertion • The length of time during which the entity has had experience with the subject matter • Prior experience with the entity’s assessment of the subject matter
<p>EX 13. In obtaining an understanding of the subject matter in accordance with paragraph EX 12, the practitioner should obtain an understanding of internal control over the preparation of the subject matter relevant to the engagement. This includes evaluating the design of those controls relevant to the subject matter and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter.</p>	
Materiality in Planning and Performing the Direct Examination Engagement	Materiality in Planning and Performing the Engagement (Ref: par. .EX 14)
<p>EX 14. When establishing the overall engagement strategy, the practitioner should consider materiality for the subject matter. (Ref: par. .EX A11–EX A17)</p>	<p>EX A11. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner’s professional judgment.</p>
<p>EX 15. The practitioner should reconsider materiality for the subject matter if the practitioner becomes aware of information during the engagement that would have caused the practitioner to have initially determined a different materiality.</p>	<p>EX A12. Professional judgments about materiality are made in light of surrounding circumstances, but they are not affected by the level of assurance, that is, for the same intended users, materiality for a direct examination engagement is the same as it is for a direct review engagement because materiality is based on the information needs of intended users and not the level of assurance.</p>
	<p>EX A13. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of intended users that are made based on the subject matter. The practitioner’s consideration of materiality is a matter of professional judgment and is affected by the practitioner’s perception of the common information needs of intended users as a group.</p>

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	<p>In this context, it is reasonable for the practitioner to assume that intended users</p> <ol style="list-style-type: none"> a. have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence. b. understand that the subject matter is measured or evaluated and examined to appropriate levels of materiality and have an understanding of any materiality concepts included in the criteria. c. understand any inherent uncertainties involved in measuring or evaluating the subject matter. d. make reasonable decisions on the basis of the subject matter taken as a whole. Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.
	<p>EX A14. Qualitative factors may include the following:</p> <ul style="list-style-type: none"> • The interaction between, and relative importance of, various aspects of the subject matter, such as numerous performance indicators • The wording chosen with respect to subject matter that is expressed in narrative form, for example, the wording chosen does not omit or distort the information • The characteristics of the presentation adopted for the subject matter when the criteria allow for variations in that presentation • The nature of a misstatement, for example, the nature of observed deviations in the operation of a control when the responsible party asserts that the control is effective • Whether a misstatement affects compliance with laws or regulations

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	<ul style="list-style-type: none"> • In the case of periodic reporting on a subject matter, whether the effect of an adjustment affects past or current information about the subject matter or is likely to affect future information about the subject matter • Whether a misstatement is the result of an intentional act or is unintentional • Whether a misstatement is significant with regard to the practitioner’s understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the subject matter • Whether a misstatement relates to the relationship between the responsible party, and if different, the engaging party or its relationship with other parties
	<p>EX A15. Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter, if any, that are</p> <ul style="list-style-type: none"> • expressed numerically or • otherwise related to numerical values, for example, the number of observed deviations in the operation of a control when the direct examination involves the effectiveness of the control.
	<p>EX A16. When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the subject matter to be materially misstated. Applying materiality to elements of the subject matter ordinarily is not a simple mechanical calculation but involves the exercise of professional judgment. It is affected by the practitioner’s understanding of the subject matter and the responsible party, updated during the performance of the risk assessment procedures, and</p>

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	consideration of the nature and extent of misstatements identified in previous attestation engagements
	EX A17. The criteria may discuss the concept of materiality in the context of the preparation and presentation of the subject matter and thereby provide a frame of reference for the practitioner in considering materiality for the engagement. Although criteria may discuss materiality in different terms, the concept of materiality generally includes the matters discussed in paragraphs EX A11–EX A16. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.
Identifying Risks of Material Misstatement	Identifying Risks of Material Misstatement (Ref: par. EX 16)
<p>EX 16. The practitioner should identify and assess risks of material misstatement as the basis for designing and performing further procedures whose nature, timing, and extent (Ref: par. .EX A18)</p> <p style="margin-left: 40px;"><i>a.</i> are responsive to assessed risks of material misstatement and</p> <p style="margin-left: 40px;"><i>b.</i> allow the practitioner to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects.</p>	EX A18. Most of the practitioner’s work in forming an opinion consists of obtaining and evaluating evidence. Procedures to obtain evidence can include inspection, observation, confirmation, recalculation, reperformance, and analytical procedures, often in some combination, in addition to inquiry.
Responding to Assessed Risks and Obtaining Evidence	Responding to Assessed Risks and Obtaining Evidence (Ref: par. EX 18)
EX 17. To obtain reasonable assurance, the practitioner should obtain sufficient appropriate evidence to reduce attestation risk to an acceptably low level and thereby enable the practitioner to draw reasonable conclusions on which to base the practitioner’s opinion.	
EX 18. The practitioner should design and implement overall responses to address the assessed risks of material misstatement for the subject matter. (Ref: par. .EX A19–EX A20)	<p>EX A19. Overall responses to address the assessed risks of material misstatement of the subject matter may include</p> <ul style="list-style-type: none"> • emphasizing to the engagement team the need to maintain professional skepticism;

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	<ul style="list-style-type: none"> • assigning more experienced staff or those with specialized skills or using specialists; • providing more supervision; • incorporating additional elements of unpredictability in the selection of further procedures to be performed; and • making changes to the nature, timing, or extent of procedures (for example, performing procedures at period-end instead of at an interim date or modifying the nature of procedures to obtain more persuasive evidence)
	<p>EX A20. The assessment of the risks of material misstatement of the subject matter is affected by the practitioner’s understanding of the control environment. An effective control environment may allow the practitioner to have more confidence in internal control and the reliability of evidence generated internally within the entity and, thus, for example, may allow the practitioner to conduct some procedures at an interim date, rather than at the period-end. Deficiencies in the control environment, however, have the opposite effect, for example, the practitioner may respond to an ineffective control environment by</p> <ul style="list-style-type: none"> • conducting more procedures as of the period-end, rather than at an interim date, • obtaining more extensive evidence from procedures other than tests of controls, and • increasing the number of locations to be included in the examination scope
<p>Further Procedures</p>	<p>Further Procedures</p>
<p>EX 19. The practitioner should design and perform further procedures whose nature, timing, and extent are based on, and responsive to, the assessed risks of material misstatement.</p>	

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<p>EX 20. In designing and performing further procedures in accordance with paragraph EX 19, the practitioner should</p> <ul style="list-style-type: none"> a. consider the reasons for the assessment given to the risk of material misstatement, including <ul style="list-style-type: none"> i. the likelihood of material misstatement due to the particular characteristics of the subject matter and ii. whether the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures, and b. obtain more persuasive evidence the higher the practitioner’s assessment of risk. 	
<p>EX 21. When designing and performing procedures, the practitioner should consider the relevance and reliability of the information to be used as evidence. If</p> <ul style="list-style-type: none"> a. evidence obtained from one source is inconsistent with that obtained from another, b. the practitioner has doubts about the reliability of information to be used as evidence, or c. responses to inquiries of the responsible party or others are inconsistent or otherwise unsatisfactory (for example, vague or implausible), <p>the practitioner should determine what modifications or additions to procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the engagement.</p>	
<p><i>Tests of Controls</i></p>	
<p>EX 22. The practitioner should design and perform tests of controls to obtain sufficient appropriate evidence about the operating effectiveness of relevant</p>	

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<p>controls if</p> <ul style="list-style-type: none"> a. the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures; b. procedures other than tests of controls cannot alone provide sufficient appropriate evidence; or c. the subject matter is internal control. 	
<p>EX 23. If the practitioner designed and performed tests of controls to rely on their operating effectiveness and identified deviations in those controls, the practitioner should make specific inquiries and perform other procedures as necessary to understand these matters and their potential consequences. The practitioner also should determine whether</p> <ul style="list-style-type: none"> a. the tests of controls that have been performed provide an appropriate basis for reliance on the controls, b. additional tests of controls are necessary, or c. the potential risks of misstatement need to be addressed using other procedures. 	
<i>Procedures Other Than Tests of Controls</i>	
<p>EX 24. Irrespective of the assessed risks of material misstatement, the practitioner should design and perform tests of details or analytical procedures related to the subject matter.</p>	
<i>Analytical Procedures Performed in Response to Assessed Risks</i>	<i>Analytical Procedures Performed in Response to Assessed Risks (Ref: par. EX 25)</i>
<p>EX 25. When designing and performing analytical procedures in response to assessed risks, the practitioner should (Ref: par. EX A21—Error! Reference source not found.)</p> <ul style="list-style-type: none"> a. determine the suitability of particular analytical procedures for the 	<p>EX A21. An understanding of the purposes of analytical procedures and the limitations of those procedures is important. Accordingly, the identification of the relationships and types of data used, as well as conclusions reached when recorded amounts are compared to expectations, requires professional judgment by the practitioner.</p>

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<p>subject matter, taking into account the assessed risks of material misstatement and any related tests of details;</p> <p>b. evaluate the reliability of data from which the practitioner’s expectation is developed, taking into account the source, comparability, nature, and relevance of information available, and controls over their preparation; and</p> <p>c. develop an expectation that is sufficiently precise to identify possible material misstatements (taking into account whether analytical procedures are to be performed alone or in combination with tests of details).</p>	
	<p>EX A22. Analytical procedures involve comparisons of expectations developed by the practitioner to recorded amounts or ratios developed from recorded amounts. The practitioner develops such expectations by identifying and using plausible relationships that are reasonably expected to exist based on the practitioner’s understanding of the subject matter; the practices used by the responsible party to measure, recognize, and record the subject matter; and, if applicable, the industry in which the entity operates</p>
<p>EX 26. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected amounts or ratios, the practitioner should investigate such differences by</p> <p>a. inquiring of the responsible party and obtaining additional evidence relevant to its responses and</p> <p>b. performing other procedures as necessary in the circumstances.</p>	
<p><i>Procedures Regarding Estimates</i></p>	
<p>EX 27. Based on the assessed risks of material misstatement, the practitioner should evaluate whether</p> <p>a. the responsible party has appropriately applied the requirements of the</p>	

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<p>criteria relevant to any estimated amounts and</p> <p>b. the methods for making estimates are appropriate and have been applied consistently and whether changes, if any, in reported estimates or in the method for making them from the prior period, if applicable, are appropriate in the circumstances.</p>	
<p>EX 28. When responding to an assessed risk of material misstatement related to an estimate, the practitioner should undertake one or more of the following, taking into account the nature of the estimates:</p> <p>a. Determine whether events occurring up to the date of the practitioner’s report provide evidence regarding the estimate.</p> <p>b. Test how the responsible party made the estimate and the data on which it is based. In doing so, the practitioner should evaluate whether the</p> <p style="padding-left: 20px;">i. method of measurement used is appropriate in the circumstances,</p> <p style="padding-left: 20px;">ii. assumptions used by the responsible party are reasonable, and</p> <p style="padding-left: 20px;">iii. data on which the estimate is based are sufficiently reliable for the practitioner’s purposes.</p> <p>c. Test the operating effectiveness of the controls over how the responsible party made the estimate, together with other appropriate further procedures.</p> <p>d. Develop a point estimate or a range to evaluate the responsible party’s estimate. For this purpose, if the practitioner</p> <p style="padding-left: 20px;">i. uses assumptions or methods that differ from those of the responsible party, the practitioner should obtain an understanding of the responsible party’s assumptions or methods sufficient to establish that the practitioner’s point estimate or range takes into account relevant variables and to evaluate any significant differences from the responsible party’s point estimate.</p>	

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<p>ii. concludes that it is appropriate to use a range, the practitioner should narrow the range, based on evidence available, until all outcomes within the range are considered reasonable.</p>	
<i>Sampling</i>	<i>Sampling (Ref: par. EX 29)</i>
<p>EX 29. If sampling is used, the practitioner should, when designing the sample, consider the purpose of the procedure and the characteristics of the population from which the sample will be drawn. Sampling involves (Ref: par. EX A23)</p> <ul style="list-style-type: none"> a. determining a sample size sufficient to reduce sampling risk to an acceptably low level. b. selecting items for the sample in such a way that the practitioner can reasonably expect the sample to be representative of the relevant population and likely to provide the practitioner with a reasonable basis for conclusions about the population. c. treating a selected item to which the practitioner is unable to apply the designed procedures or suitable alternative procedures as a deviation from the prescribed control in the case of tests of controls or a misstatement in the case of tests of details. d. investigating the nature and cause of deviations or misstatements identified and evaluating their possible effect on the purpose of the procedure and on other areas of the engagement. e. evaluating the results of the sample, including sampling risk and projecting misstatements found in the sample to the population, and f. evaluating whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested. 	<p>EX A23. The AICPA Audit Guide <i>Audit Sampling</i> provides guidance that may be useful to a practitioner who has decided to use sampling in performing attestation procedures.</p>
Fraud, Laws, and Regulations	Fraud, Laws, and Regulations (Ref: par. EX 31)
EX 30. The practitioner should	

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<p>a. consider whether risk assessment procedures and other procedures related to understanding the subject matter indicate risk of material misstatement due to fraud or noncompliance with laws or regulations.</p> <p>b. make inquiries of appropriate parties to determine whether they have knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter.</p> <p>c. evaluate whether there are unusual or unexpected relationships within the subject matter, or between the subject matter and other related information, that indicate risks of material misstatement due to fraud or noncompliance with laws or regulations.</p> <p>d. evaluate whether other information obtained indicates risk of material misstatement due to fraud or noncompliance with laws or regulations.</p>	
<p>EX 31. The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws or regulations affecting the subject matter that is identified during the engagement. (Ref: par. .EX A24–EX A25)</p>	<p>EX A24. In responding to fraud or suspected fraud identified during the engagement, it may be appropriate, unless prohibited by law, regulation, or ethics standards, for the practitioner to, for example,</p> <ul style="list-style-type: none"> • discuss the matter with the appropriate party(ies). • request that the responsible party consult with an appropriately qualified third party, such as the entity’s legal counsel or a regulator. • consider the implications of the matter in relation to other aspects of the engagement, including the practitioner’s risk assessment and the reliability of written representations from the responsible party. • obtain legal advice about the consequences of different courses of action. • communicate with third parties (for example, a regulator). • withdraw from the engagement.

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	<p>EX A25. The actions noted in paragraph EX A24 also may be appropriate in responding to noncompliance or suspected noncompliance with laws or regulations identified during the engagement. It may be appropriate to describe the matter in a separate paragraph in the practitioner’s report, unless the practitioner</p> <ul style="list-style-type: none"> <li data-bbox="1121 488 1961 618">a. is precluded by the responsible party from obtaining sufficient appropriate evidence to evaluate whether noncompliance that may be material to the subject matter has, or is likely to have, occurred, in which case, paragraphs EX 65a and EX 72 apply, or <li data-bbox="1121 651 1940 748">b. concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraph EX 65b applies.
<p>Revision of Risk Assessment</p>	<p>Revision of Risk Assessment (Ref: par. EX 32)</p>
<p>EX 32. The practitioner’s assessment of the risks of material misstatement may change during the course of the engagement as additional evidence is obtained. In circumstances in which the practitioner obtains evidence from performing further procedures, or if new information is obtained, either of which is inconsistent with the evidence on which the practitioner originally based the assessment, the practitioner should revise the assessment and modify the planned procedures accordingly. (Ref: par. .EX A26–EX A27)</p>	<p>EX A26. Information may come to the practitioner’s attention that differs significantly from that on which the determination of planned procedures was based. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to perform additional procedures. Such procedures may include asking the responsible party to examine the matter identified by the practitioner and to make adjustments to the subject matter if appropriate.</p>
	<p>EX A27. The practitioner may become aware of a matter(s) that causes the practitioner to believe the subject matter may be materially misstated, for example, when the practitioner</p> <ul style="list-style-type: none"> <li data-bbox="1136 1208 1961 1305">• is performing analytical procedures and identifies a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expected amounts or ratios. <li data-bbox="1136 1338 1982 1403">• becomes aware of a potential material misstatement from reviewing external sources.

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	<ul style="list-style-type: none"> • discovers a 5% error rate in the results of tests for which the applicable criteria permit a 4% error rate and, determines that additional procedures may be needed because the risk of a material misstatement may not be acceptable in the engagement circumstances. • determines that the results of analytical procedures are within expectations but are, nevertheless, close to exceeding the expected value, and that additional procedures may be needed because the risk of a material misstatement may not be acceptable in the engagement circumstances.
<p>Evaluating the Reliability of Information Produced by the Entity</p>	<p>Evaluating the Reliability of Information Produced by the Entity (Ref: par. EX 33)</p>
<p>EX 33. When using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner’s purposes, including, as necessary, the following: (Ref: par. EX A28–EX A29)</p> <ol style="list-style-type: none"> a. Obtaining evidence about the accuracy and completeness of the information b. Evaluating whether the information is sufficiently precise and detailed for the practitioner’s purposes 	<p>EX A28. Reliable information is sufficiently accurate and complete.</p>
	<p>EX A29. Obtaining evidence about the accuracy and completeness of information produced by the entity may be accomplished concurrently with the actual procedure applied to the information when obtaining such evidence is an integral part of the procedure itself. In other situations, the practitioner may have obtained evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the practitioner may determine that additional procedures are needed.</p>
<p>Using the Work of a Practitioner’s Specialist</p>	<p>Using the Work of a Practitioner’s Specialist</p>
<p>EX 34. When the practitioner expects to use the work of a practitioner’s</p>	<p><i>Integrating the Work of a Practitioner’s Specialist (Ref: par. EX 36a)</i></p>

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<p>specialist, the practitioner should do the following:</p> <ul style="list-style-type: none"> a. Evaluate whether the practitioner’s specialist has the necessary competence, capabilities, and objectivity for the practitioner’s purposes. In the case of a practitioner’s external specialist, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the practitioner’s specialist. (Ref: par. EX A33–EX A36) b. Obtain a sufficient understanding of the field of expertise of a practitioner’s specialist to enable the practitioner to (Ref: par. .EX A37) <ul style="list-style-type: none"> i. determine the nature, scope, and objectives of that specialist’s work for the practitioner’s purposes and ii. evaluate the adequacy of that work for the practitioner’s purposes. c. Agree with the practitioner’s specialist regarding (Ref: par. .EX A38) <ul style="list-style-type: none"> i. the nature, scope, and objectives of that practitioner’s specialist’s work; ii. the respective roles and responsibilities of the practitioner and that specialist; iii. the nature, timing, and extent of communication between the practitioner and that specialist, including the form of any report or documentation to be provided by that specialist; and iv. the need for the practitioner’s specialist to observe confidentiality requirements. d. Evaluate the adequacy of the work of the practitioner’s specialist for 	<p>EX A30. Direct examination engagements may be performed on a wide range of subject matters that require specialized skills and knowledge beyond those possessed by the practitioner and for which the work of a practitioner’s specialist is used. In some situations, the practitioner’s specialist will be consulted to provide advice on an individual matter, but the greater the significance of the work of the practitioner’s specialist in the context of the engagement, the more likely it is that the specialist will work as part of a multidisciplinary team comprising subject-matter specialists and other attestation personnel. The more that specialist’s work is integrated in nature, timing, and extent with the overall work effort, the more important effective two-way communication is between the practitioner’s specialist and other attestation personnel. Effective two-way communication facilitates the proper integration of the specialist’s work with the work of others on the engagement.</p> <p>EX A31. When the work of a practitioner’s specialist is to be used, it may be appropriate to perform some of the procedures required by paragraph EX 34 at the engagement acceptance or continuance stage. This is particularly so when the work of the practitioner’s specialist is to be used in the early stages of the engagement, for example, during initial planning and risk assessment.</p> <p><i>The Practitioner’s Firm’s Quality Control Policies and Procedures (Ref: par. EX 36e)</i></p> <p>EX A32. Engagement teams are entitled to rely on their own firm’s system of quality control, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances and may affect the nature, timing, and extent of the practitioner’s procedures with respect to matters, such as the following:</p>

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<p>the practitioner’s purposes, including</p> <p>i. the relevance and reasonableness of the findings and conclusions of the practitioner’s specialist and their consistency with other evidence;</p> <p>ii. if the work of the practitioner’s specialist involves the use of significant assumptions and methods</p> <p style="padding-left: 40px;">(1) obtaining an understanding of those assumptions and methods and</p> <p style="padding-left: 40px;">(2) evaluating the relevance and reasonableness of those assumptions and methods in the circumstances, giving consideration to the rationale and support provided by the practitioner’s specialist, and in relation to the practitioner’s other findings and conclusions;</p> <p>iii. if the work of the practitioner’s specialist involves the use of source data that are significant to the work of the practitioner’s specialist, the relevance, completeness, and accuracy of that source data.</p>	<ul style="list-style-type: none"> • Competence and capabilities, through recruitment and training programs • The practitioner’s evaluation of the objectivity of the practitioner’s internal specialist (The practitioner’s internal specialists are subject to relevant ethical requirements, including those pertaining to independence.) • The practitioner’s evaluation of the adequacy of the practitioner’s internal specialist’s work (For example, the firm’s training programs may provide the practitioner’s internal specialists with an appropriate understanding of the interrelationship of their expertise with the evidence-gathering process. Reliance on such training and other firm processes, such as protocols for scoping the work of the practitioner’s internal specialists, may affect the nature, timing, and extent of the practitioner’s procedures to evaluate the adequacy of the practitioner’s specialist’s work.) • Adherence to regulatory and legal requirements through monitoring processes • Agreement with the practitioner’s specialist <p>Such reliance does not reduce the practitioner’s responsibility to meet the requirements of this section.</p> <p><i>The Competence, Capabilities, and Objectivity of a Practitioner’s Specialist (Ref: par. EX 34a)</i></p> <p>EX A33. Information regarding the competence, capabilities, and objectivity of a practitioner’s specialist may come from a variety of sources, such as the following:</p>

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	<ul style="list-style-type: none"> • Personal experience with previous work of that specialist • Discussions with that specialist • Discussions with other practitioners or others who are familiar with that specialist’s work • Knowledge of that specialist’s qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition • Published papers or books written by that specialist • The firm’s quality control policies and procedures
<p>EX 35. If the practitioner determines that the work of the practitioner’s specialist is not adequate for the practitioner’s purposes, the practitioner should</p> <ol style="list-style-type: none"> a. agree with the practitioner’s specialist on the nature and extent of further work to be performed by the practitioner’s specialist or b. perform additional procedures appropriate to the circumstances. 	
<p>EX 36. The nature, timing, and extent of the procedures a practitioner performs when the practitioner expects to use the work of a practitioner’s specialist will vary depending on the circumstances. In determining the nature, timing, and extent of those procedures, the practitioner should consider the following: (See section 105.³)</p> <ol style="list-style-type: none"> a. The significance of that specialist’s work in the context of the engagement (See also paragraphs .EX A30–EX A31.) 	<p>EX A34. Although a practitioner’s specialist does not require the same proficiency as the practitioner in performing all aspects of a direct examination engagement, a practitioner’s specialist whose work is used may need a sufficient understanding of relevant AT-C sections to enable that specialist to relate the work assigned to that specialist to the engagement objective.</p>

³ Paragraph .32 of section 105.

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<p>b. The nature of the matter to which that specialist’s work relates</p> <p>c. The risks of material misstatement in the matter to which that specialist’s work relates</p> <p>d. The practitioner’s knowledge of, and experience with, previous work performed by that specialist</p> <p>e. Whether that specialist is subject to the practitioner’s firm’s quality control policies and procedures (see also paragraph .EX A32)</p>	<p>EX A35. The evaluation of the significance of threats to objectivity and of whether there is a need for safeguards may depend upon the role of the practitioner’s specialist and the significance of the specialist’s work in the context of the engagement. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level, for example, if in an examination engagement a practitioner’s specialist is an individual who has played a significant role in measuring, evaluating, or disclosing the subject matter.</p>
	<p>EX A36. When evaluating the objectivity of a practitioner’s external specialist, it may be relevant to</p> <ul style="list-style-type: none"> • inquire of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) has with the practitioner’s external specialist that may affect that specialist’s objectivity. • discuss with that specialist any applicable safeguards, including any professional requirements that apply to that specialist, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the practitioner’s specialist include <ul style="list-style-type: none"> — financial interests. — business and personal relationships. — provision of other services by the specialist, including by the organization in the case of an external specialist that is an organization. <p>In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner’s external specialist about any</p>

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	interests or relationships with the appropriate party(ies) of which that specialist is aware.
	<i>Obtaining an Understanding of the Field of Expertise of a Practitioner's Specialist (Ref: par. EX 34b)</i>
	<p>EX A37. Aspects of a practitioner's specialist's field of expertise relevant to the practitioner's understanding may include the following:</p> <ul style="list-style-type: none"> • Whether that specialist's field has areas of specialty within it that are relevant to the engagement • Whether any professional or other standards and regulatory or legal requirements apply • What assumptions and methods, including models, when applicable, are used by the practitioner's specialist and whether they are generally accepted within that specialist's field and appropriate in the circumstances of the engagement • The nature of internal and external data or information the practitioner's specialist uses
	<p><i>Agreement With a Practitioner's Specialist (Ref: par. EX 34c)</i></p> <p>EX A38. The matters noted in paragraph EX A32 may affect the level of detail and formality of the agreement between the practitioner and the practitioner's specialist, including whether it is appropriate that the agreement be in writing. The agreement between the practitioner and a practitioner's external specialist is often in the form of an engagement letter.</p>
Using the Work of Internal Auditors	Using the Work of Internal Auditors (Ref: par. EX 37)
EX 37. When the practitioner expects to use the work of the internal audit function in obtaining evidence or to use internal auditors to provide direct assistance, the practitioner should determine whether the work can be used for	EX A39. Activities similar to those performed by an internal audit function may be conducted by functions with other titles within an entity. Some or all of the activities of an internal audit function may also be outsourced to a third-party service provider. Neither the title of the function nor whether it

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<p>purposes of the examination by evaluating (Ref: par. .EX A39–EX A41)</p> <ul style="list-style-type: none"> a. the level of competence of the internal audit function or the individual internal auditors providing direct assistance; b. the extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal audit function or for internal auditors providing direct assistance, the existence of threats to the objectivity of those internal auditors and the related safeguards applied to reduce or eliminate those threats; and c. when using the work of the internal audit function, the application by the internal audit function of a systematic and disciplined approach, including quality control. 	<p>is performed by the entity or a third-party service provider are sole determinants of whether or not the practitioner can use the work of internal auditors. Rather, it is the nature of the activities, the extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal auditors, the competence of the internal auditors, and the systematic and disciplined approach of the function that are relevant. References in this section to the work of the internal audit function include relevant activities of other functions or third-party providers that have these characteristics.</p> <p>EX A40. A practitioner planning to use the work of the internal audit function to obtain evidence may find it effective and efficient to discuss the planned use of the work with the internal audit function as a basis for coordinating activities.</p> <p>EX A41. The practitioner has sole responsibility for the opinion expressed, and that responsibility is not reduced by the practitioner’s use of the work of internal auditors on the engagement. The objectivity and competence of internal auditors are important in determining whether to use their work and, if so, the nature and extent of the use of their work. However, a high degree of objectivity cannot compensate for a low degree of competence, nor can a high degree of competence compensate for a low degree of objectivity. Additionally, neither a high level of competence nor strong support for the objectivity of the internal auditors compensates for the lack of a systematic and disciplined approach when using the work of the internal audit function</p>
<p>EX 38. When using the work of the internal audit function, the practitioner should perform sufficient procedures on the body of work of the internal audit function as a whole that the practitioner plans to use to determine its adequacy for the purpose of the examination engagement, including reperforming some of the body of work of the internal audit function that the practitioner intends to</p>	

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use in obtaining evidence.	
EX 39. Prior to using internal auditors to provide direct assistance, the practitioner should obtain written acknowledgment from the responsible party that internal auditors providing direct assistance to the practitioner will be allowed to follow the practitioner’s instructions, and that the responsible party will not intervene in the work the internal auditor performs for the practitioner.	
EX 40. When using internal auditors to provide direct assistance to the practitioner, the practitioner should direct, supervise, and review the work of the internal auditors.	
<p>EX 41. Because the practitioner has sole responsibility for the opinion expressed, the practitioner should make all significant judgments in the examination engagement, including when to use the work of the internal audit function in obtaining evidence. To prevent undue use of the internal audit function in obtaining evidence, the external auditor should plan to use less of the work of the function and perform more of the work directly:</p> <ul style="list-style-type: none"> a. The more judgment is involved in <ul style="list-style-type: none"> i. planning and performing relevant procedures or ii. evaluating the evidence obtained b. the higher the assessed risk of material misstatement; c. the less the internal audit function’s organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors; and d. the lower the level of competence of the internal audit function. 	

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EX 42. Before the conclusion of the engagement, the practitioner should evaluate whether the use of the work of the internal audit function or the use of internal auditors to provide direct assistance results in the practitioner still being sufficiently involved in the examination given the practitioner’s sole responsibility for the opinion expressed.	
Evaluating the Results of Procedures	Evaluating the Results of Procedures (Ref: par. EX 43)
EX 43. The practitioner should accumulate misstatements identified during the engagement other than those that are clearly trivial. (Ref: par. EX A42–EX A43)	EX A42. Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in aggregate, they are material when forming the practitioner’s opinion. (See also paragraph EX 57b)
	EX A43. “Clearly trivial” is not another expression for “not material.” Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality and will be matters that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature, or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.
EX 44. The practitioner should evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary, attempt to obtain further evidence. The practitioner should consider all relevant evidence, regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. EX A44–EX A48)	EX A44. Sufficient appropriate evidence is necessary to support the practitioner’s opinion and report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm’s quality control procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by a specialist employed or engaged by the appropriate party(ies). <i>Evidence</i> comprises both information that supports and corroborates aspects of the subject matter and any information that contradicts aspects of the subject matter. In addition, in some cases, the absence of information (for example, refusal by the

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	appropriate party(ies) to provide a requested representation) is considered by the practitioner and, therefore, also constitutes evidence.
	EX A45. The sufficiency and appropriateness of evidence are interrelated. Sufficiency of evidence is the measure of the quantity of evidence. The quantity of the evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.
	<p>EX A46. <i>Appropriateness of evidence</i> is the measure of the quality of evidence, that is, its relevance and reliability in providing support for the practitioner’s opinion. The reliability of evidence is influenced by its source and nature and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of evidence can be made; however, such generalizations are subject to important exceptions. Even when evidence is obtained from sources external to the responsible party, circumstances may exist that could affect its reliability. For example, evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. Recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful:</p> <ul style="list-style-type: none"> • Evidence is more reliable when it is obtained from independent sources outside the appropriate party(ies). • Evidence that is generated internally is more reliable when the related controls are effective. • Evidence obtained directly by the practitioner (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).

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	<ul style="list-style-type: none"> • Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media (for example, a contemporaneously written record of a meeting is ordinarily more reliable than a subsequent oral representation of what was discussed). • Evidence provided by original documents is more reliable than evidence provided by photocopies, facsimiles, or documents that have been filmed, digitized, or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance.
	EX A47. Evidence obtained from different sources or of a different nature ordinarily provides more assurance than evidence from items considered individually. In addition, obtaining evidence from different sources or of a different nature may indicate that an individual item of evidence is not reliable. For example, corroborating information obtained from a source independent of the responsible party may increase the assurance the practitioner obtains from a representation from the responsible party. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the practitioner determines what additional procedures are necessary to resolve the inconsistency.
	EX A48. Whether sufficient appropriate evidence has been obtained on which to base the practitioner’s opinion is a matter of professional judgment.
EX 45. If the practitioner is unable to obtain necessary further evidence, the practitioner should consider the implications for the practitioner’s opinion in paragraphs .EX 65–EX 77	
Considering Subsequent Events and Subsequently Discovered Facts	Considering Subsequent Events and Subsequently Discovered Facts (Ref: par. EX 46–EX 47)
EX 46. The practitioner should inquire whether the responsible party, and if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the direct examination engagement up to the date	EX A49. Procedures that a practitioner may perform to identify subsequent events include inquiring about and considering information

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<p>of the practitioner’s report that could have a significant effect on the subject matter and should apply other appropriate procedures to obtain evidence regarding such events. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter, the practitioner should take appropriate action. (Ref: par. .EX A49–EX A51)</p>	<ul style="list-style-type: none"> • contained in relevant reports issued during the subsequent period by internal auditors, other practitioners, or regulatory agencies. • obtained through other professional engagements for that entity.
	<p>EX A50. If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent users of the practitioner’s report from being misled, appropriate actions the practitioner may take include</p> <ul style="list-style-type: none"> • disclosing the event in the practitioner’s report and modifying the practitioner’s opinion. • withdrawing from the engagement.
	<p>EX A51. Subsequent to the date of the practitioner’s report, the practitioner may become aware of facts that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. In such circumstances, the practitioner undertakes to determine whether the facts existed at the date of the report and, if so, whether persons who would attach importance to these facts are currently using, or are likely to use, the report and related subject matter. This may include discussing the matter with the appropriate party(ies) and requesting the appropriate party(ies)’s cooperation in whatever investigation or further action that may be necessary. The specific actions to be taken in a particular case by the appropriate party(ies) and the practitioner may vary with the circumstances. Consideration may be given to, among other things, the time elapsed since the date of the report and whether issuance of a subsequent report is imminent. The practitioner may need to perform additional procedures deemed necessary to determine whether the subject matter needs revision</p>

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<p>EX 47. The practitioner has no responsibility to perform any procedures regarding the subject matter after the date of the practitioner’s report. Nevertheless, the practitioner should respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. .EX A52–EX A53)</p>	<p>and whether the previously issued report continues to be appropriate.</p> <p>EX A52. Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party(ies) to persons who would attach importance to the facts and who are currently using, or are likely to use, the practitioner’s report is necessary. This may be the case, for example, when</p> <ul style="list-style-type: none"> a. the report is not to be relied upon because the subject matter needs revision or the practitioner is unable to determine whether revision is necessary, and b. issuance of a subsequent report is not imminent. <p>EX A53. If the appropriate party(ies) failed to take the necessary steps to prevent reliance on the report, the practitioner’s course of action depends upon the practitioner’s legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and its effect on the subject matter and the report, avoiding comments concerning the conduct or motives of any person.</p>
<p>Written Representations</p>	<p>Written Representations (Ref: par. EX 48–EX 49, EX 50e, and EX 54)</p>
<p>EX 48. The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should (Ref: par. .EX A54–EX A57)</p> <ul style="list-style-type: none"> a. state that all relevant matters are reflected in the measurement or evaluation of the subject matter. b. state that all known matters contradicting the subject matter and any communication from regulatory agencies or others affecting the subject matter have been disclosed to the practitioner, including communications received between the end of the period and the date of the practitioner’s report. 	<p>EX A54. Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person(s) from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party(ies), which may vary by entity, reflecting influences such as size and ownership characteristics.</p> <p>EX A55. Representations by the responsible party cannot replace other evidence the practitioner could reasonably expect to be available. Although written representations provide evidence, they do not provide sufficient</p>

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<p>c. acknowledge responsibility for</p> <ul style="list-style-type: none"> i. the subject matter; ii. selecting the criteria, when applicable; and iii. determining that such criteria are appropriate for the responsible party's purposes, when applicable. <p>d. state that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter have been disclosed to the practitioner. (Ref: par. EX A56)</p> <p>e. state that it has provided the practitioner with all relevant information and access.</p> <p>f. if applicable, state that the responsible party believes the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the subject matter. (Ref: par. EX A57)</p> <p>g. if applicable, state that significant assumptions used in making any material estimates are reasonable.</p> <p>h. state that the responsible party has disclosed to the practitioner</p> <ul style="list-style-type: none"> i. all deficiencies in internal control relevant to the engagement of which the responsible party is aware; ii. its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter; and iii. other matters as the practitioner deems appropriate. 	<p>appropriate evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other evidence that the practitioner obtains.</p>
<p>EX 49. When the engaging party is not the responsible party, and the responsible party refuses to provide the representations in paragraph EX 48 in writing, the practitioner should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph EX 48.</p>	<p>EX A56. A discussion of what is considered a material effect on the subject matter may be included explicitly in the representation letter in qualitative or quantitative terms.</p>

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<p>EX 50. When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party, in addition to those requested from the responsible party, in the form of a letter addressed to the practitioner. The representations should</p> <ul style="list-style-type: none"> a. acknowledge that the responsible party is responsible for the subject matter. b. acknowledge the engaging party’s responsibility for selecting the criteria, when applicable. c. acknowledge the engaging party’s responsibility for determining that such criteria are appropriate for its purposes. d. state that the engaging party is not aware of any material misstatements in the subject matter. e. state that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter. (Ref: par. .EX A56) f. address other matters as the practitioner deems appropriate. 	<p>EX A57. A summary of uncorrected misstatements ordinarily is included in or attached to the written representation.</p>
<p>EX 51. When written representations are directly related to matters that are material to the subject matter, the practitioner should</p> <ul style="list-style-type: none"> a. evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written) and b. consider whether those making the representations can be expected to be well informed on the particular matters. 	
<p>EX 52. The date of the written representations should be as of the date of the practitioner’s report. The written representations should address the subject matter and periods covered by the practitioner’s opinion.</p>	

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Requested Written Representations Not Provided or Not Reliable	Requested Written Representations Not Provided or Not Reliable (Ref: par. EX 53–EX 54)
<p>EX 53. When the engaging party is the responsible party, and one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should (Ref: par. .EX A58)</p> <ul style="list-style-type: none"> a. discuss the matter with the appropriate party(ies); b. reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general; and c. if any of the matters are not resolved to the practitioner’s satisfaction, take appropriate action. 	<p>EX A58. In the situation discussed in paragraph EX 53, the refusal to furnish such evidence in the form of written representations constitutes a limitation on the scope of an examination sufficient to preclude an unmodified opinion and may be sufficient to cause the practitioner to withdraw from the engagement.</p>
<p>EX 54. When the engaging party is not the responsible party</p> <ul style="list-style-type: none"> a. if one or more of the requested representations are not provided in writing by the responsible party, but the practitioner receives satisfactory oral responses to the practitioner’s inquiries performed in accordance with paragraph EX 49 sufficient to enable the practitioner to conclude that the practitioner has sufficient appropriate evidence to form an opinion about the subject matter, the practitioner’s report should contain a separate paragraph that restricts the use of the report to the engaging party. (Paragraphs .EX 62–EX 63 contain requirements for the contents of such a paragraph.) (Ref: par. .EX A59) b. if one or more of the requested representations are provided neither in writing nor orally from the responsible party in accordance with paragraph .EX 49, a scope limitation exists, and the practitioner should determine the effect on the report, or the practitioner should withdraw from the engagement. 	<p>EX A59. Even when the responsible party provides oral responses to the matters in paragraph EX 48, the practitioner may find it appropriate to consider whether there are significant concerns about the competence, integrity, ethical values, or diligence of those providing the oral responses or whether the oral responses are otherwise not reliable and the potential effect, if any, on the practitioner’s report.</p>

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Description of Criteria	Description of Criteria(Ref: par. EX 55)
EX 55. The practitioner should evaluate whether the written description of the subject matter adequately refers to or describes the criteria. (Ref: par. .EX A60–EX A61)	EX A60. The description of the criteria on which the subject matter is based is particularly important when there are significant differences among various criteria regarding how particular matters may be treated in the subject matter.
	EX A61. A description of the criteria that states that the subject matter is prepared in accordance with (or based on) particular criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective.
Other Information	Other Information (Ref: par. EX 56)
EX 56. If prior to or after the release of the practitioner’s report, the practitioner is willing to permit the inclusion of the report in a document that contains the subject matter and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter or the report. If upon reading the other information, in the practitioner’s professional judgment (Ref: par. .EX A62–EX A63) <p style="margin-left: 40px;">a. a material inconsistency between that other information and the subject matter, or the report exists or</p> <p style="margin-left: 40px;">b. a material misstatement of fact exists in the other information, the subject matter, or the report</p> <p>the practitioner should discuss the matter with the responsible party and take further action as appropriate.</p>	EX A62. Further actions that may be appropriate if the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact include, for example, the following: <ul style="list-style-type: none"> • Requesting the appropriate party(ies) to consult with a qualified third party, such as the appropriate party(ies)’s legal counsel • Obtaining legal advice about the consequences of different courses of action • If required or permissible, communicating with third parties (for example, a regulator) • Describing the material inconsistency in the practitioner’s report • Withdrawing from the engagement, when withdrawal is possible under applicable laws and regulations
	EX A63. Other information does not include information contained on the appropriate party(ies)’s website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph EX 56.
Forming the Opinion	Forming the Opinion (Ref: par. EX 57–EX 58)

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<p>EX 57. The practitioner should form an opinion about whether the subject matter is in accordance with (or based on) the criteria, in all material respects. In forming that opinion, the practitioner should evaluate</p> <ul style="list-style-type: none"> a. the practitioner’s conclusion regarding the sufficiency and appropriateness of evidence obtained and (Ref: par. .EX A64) b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .EX A65) 	<p>EX A64. The practitioner’s professional judgment regarding what constitutes sufficient appropriate evidence is influenced by such factors as the following:</p> <ul style="list-style-type: none"> • The significance of a potential misstatement and the likelihood that it will have a material effect, individually or aggregated with other potential misstatements, on the subject matter • The effectiveness of the responsible party’s responses to address the known risks • The experience gained during previous examination or review engagements with respect to similar potential misstatements • The results of procedures performed, including whether such procedures identified specific misstatements • The source and reliability of the available information • The persuasiveness of the evidence • The practitioner’s understanding of the responsible party and its environment
	<p>EX A65. A direct examination engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the risk assessments and planned procedures were based may come to the practitioner’s attention, for example</p> <ul style="list-style-type: none"> • the extent of the misstatements that the practitioner detects is greater than expected.(This may alter the practitioner’s professional judgment about the reliability of particular sources of information.)

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	<ul style="list-style-type: none"> • the practitioner may become aware of discrepancies in relevant information or conflicting or missing evidence. • procedures performed toward the end of the engagement may indicate a previously unrecognized risk of material misstatement. In such circumstances, the practitioner may need to reevaluate the planned procedures.
<p>EX 58. The practitioner should evaluate, based on the evidence obtained, whether the presentation of the subject matter is misleading within the context of the engagement. (Ref: par. EX A66–EX A67)</p>	<p>EX A66. In making the evaluation required by paragraph EX 58, the practitioner may consider whether additional disclosures are necessary to describe the subject matter or criteria. Additional disclosures may, for example, include</p> <ul style="list-style-type: none"> • the measurement or evaluation methods used when the criteria allow for choice among methods; • significant interpretations made in applying the criteria in the engagement circumstances; • subsequent events, depending on their nature and significance; and • whether there have been any changes in the measurement or evaluation methods used.
	<p>EX A67. Paragraph EX 58 does not require the practitioner to determine whether the presentation discloses all matters related to the subject matter or criteria or all matters intended users may consider in making decisions based on the presentation.</p>
Preparing the Practitioner’s Report	Preparing the Practitioner’s Report (Ref: par. EX 59)
<p>EX 59. The practitioner’s report should be in writing. (Ref: par. EX A68–EX A69)</p>	<p>EX A68. Oral and other forms of expressing an opinion can be misunderstood without the support of a written practitioner’s report. For this reason, the practitioner may not report orally or by use of symbols (such as</p>

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	<p>a web seal) under the attestation standards without also providing a written report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written report on the Internet.</p>
	<p>EX A69. This section does not require a standardized format for reporting on all direct examination engagements. Instead, it identifies the basic elements that the practitioner’s report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.</p>
<p>Content of the Practitioner’s Report</p>	<p>Content of the Practitioner’s Report</p>
<p>EX 60. The practitioner’s report should include the following, unless the practitioner is disclaiming an opinion, in which case, items EX 60i, and EX 60j should be omitted:</p> <ul style="list-style-type: none"> a. A title that includes the word independent. (Ref: par. .EX A70) b. An appropriate addressee as required by the circumstances of the engagement. c. An identification or description of the subject matter being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter relates. d. An identification of the criteria against which the subject matter was measured or evaluated. (Ref: par. .EX A71) 	<p><i>Title (Ref: par. EX 60a)</i></p> <p>EX A70. A title indicating that the practitioner’s report is the report of an independent practitioner (for example, “Independent Practitioner’s Report,” “Report of Independent Certified Public Accountant,” or “Independent Accountant’s Report”) affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner’s report from reports issued by others.</p> <p><i>Criteria (Ref: par. EX 60d)</i></p>

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<p>e The following heading above item f: “Responsible Party’s Responsibility for the Subject Matter”</p> <p>f A statement that (Ref: par. . EX A72)</p> <p style="padding-left: 20px;">i. identifies the responsible party and its responsibility for the subject matter</p> <p style="padding-left: 20px;">ii. indicates that in a direct examination engagement, management does not provide a written statement about whether the subject matter is in accordance with (or based on) the criteria</p> <p>g The following heading above item h, “Practitioner’s Responsibility.”</p> <p>h. A statement that the practitioner is responsible for</p> <p style="padding-left: 20px;">i. measuring or evaluating the subject matter, based on the criteria, and</p> <p style="padding-left: 20px;">ii. expressing an opinion on the subject matter, based on the practitioner’s examination.</p> <p>i A statement that</p> <p style="padding-left: 20px;">i. the practitioner’s examination was conducted in accordance with the direct engagement attestation standards established by the American Institute of Certified Public Accountants.</p> <p style="padding-left: 20px;">ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all</p>	<p>EX A71. The practitioner’s report may include the criteria or refer to them if they are included in the subject matter presentation, or are otherwise readily available. It may be relevant in the circumstances to disclose the source of the criteria or the relevant matters discussed in paragraph EX A66.</p> <p><i>Relevant Responsibilities (Ref: par. EX 60e-h)</i></p> <p>EX A72. Identifying relative responsibilities informs the intended users that the responsible party is responsible for the subject matter, and the practitioner’s role is to independently express an opinion about it.</p>

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<p>material respects (or equivalent language regarding the subject matter and criteria, such as the language used in the examples in paragraph EX A73)</p> <p><i>j.</i> A description of the nature of a direct examination engagement</p>	<p><i>Statement About the Subject Matter and the Criteria (Ref: par. EX 60i[ii])</i></p> <p>EX A73. The language in paragraph EX 60i(ii) may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph EX 60i(ii) include, “to obtain reasonable assurance about whether</p> <ul style="list-style-type: none"> • the entity maintained effective internal control over the subject matter, based on the criteria, in all material respects.” • the subject matter is presented in accordance with (or based on) the criteria, in all material respects.” • the subject matter achieves the objectives, in all material respects.” (For example, when the objectives are the criteria.) • the subject matter is presented fairly, in all material respects, based on the criteria.” (The practitioner’s professional judgment concerning the fairness of the presentation of the subject matter relates to whether the measurement, recognition, presentation, and disclosure of all material items in the presentation of the subject matter achieve fair presentation.) <p><i>Description of the Nature of an Examination Engagement (Ref: par. EX 60j)</i>)</p> <p>EX A74. A description of the nature of a direct examination engagement may state, for example, that</p> <ul style="list-style-type: none"> • a direct examination involves performing procedures to obtain evidence about the subject matter and that the nature, timing, and

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	<p>extent of the procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the subject matter, whether due to fraud or error.</p> <ul style="list-style-type: none"> • an examination also involves examining evidence about the subject matter. • In making an assessment of the risks of material misstatement, the practitioner considered and obtained an understanding of internal control relevant to the subject matter in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed. <p>EX A75. The practitioner may decide to more fully describe the practitioner's responsibility, for example, to</p> <ul style="list-style-type: none"> • perform procedures to obtain evidence based on the practitioner's assessment of the risk of material misstatement about whether the subject matter is presented in accordance with (or based on) the criteria. • obtain an understanding of internal control over the subject matter. <p>EX A76. A practitioner may be requested to provide in a separate section of the practitioner's report a description of the procedures performed and the results thereof in support of the practitioner's opinion. The following factors are relevant when determining whether to include such a description in the report:</p> <ul style="list-style-type: none"> • Whether such a description is likely to overshadow the practitioner's overall opinion or cause report users to misunderstand the opinion

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<p>k. A statement that the practitioner believes the evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner’s opinion.</p> <p>l. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. EX A77)</p> <p>m. The practitioner’s opinion about whether the subject matter is in accordance with (or based on) the criteria, in all material respects (Ref: par. .EX A78–EX A80)</p>	<ul style="list-style-type: none"> • Whether the parties making the request have an appropriate business need or reasonable basis for requesting the information (for example, the specified parties are required to maintain and monitor controls that either encompass or are dependent on controls that are the subject of a direct examination and, therefore, need information about the tests of controls to enable them to have a basis for concluding that they have met the requirements applicable to them) • Whether the parties have an understanding of the nature and subject matter of the engagement and experience in using the information in such reports • Whether the practitioner’s procedures performed directly relate to the subject matter of the engagement <p>The addition of procedures performed and the results thereof in a separate section of a direct examination report may increase the potential for the report to be misunderstood when taken out of the context of the knowledge of the requesting parties. This potential for an increase in the risk of misunderstanding may lead the practitioner to add a restricted-use paragraph to the practitioner’s report.</p> <p><i>Inherent Limitations (Ref: par. EX 60l)</i></p> <p>EX A77. While in some cases, inherent limitations can be expected to be well-understood by the intended users of an attestation report, in other cases, it may be appropriate to make explicit reference to them in the</p>

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	<p>attestation report. For example, in an attestation report related to the effectiveness of internal control, it may be appropriate to note that the historic evaluation of effectiveness is not relevant to future periods due to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.</p> <p><i>Opinion (Ref: par. EX 60m)</i></p> <p>EX A78. The language of the practitioner’s opinion in paragraph EX 60m may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph . EX 60m include the following:</p> <ul style="list-style-type: none"> • The entity maintained effective internal control over the subject matter, in all material respects, based on the criteria. • The subject matter is presented in accordance with (or based on) the criteria, in all material respects. • The subject matter achieved the objectives, in all material respects (when the objectives are the criteria). • The subject matter is free from material misstatement based on the criteria. • The subject matter is presented fairly, in all material respects, based on the criteria. <p>(The practitioner’s professional judgment concerning the fairness of the presentation of the subject matter relates to whether the measurement, recognition, presentation, and disclosure of all material items in the presentation of the subject matter achieve fair presentation.)</p>

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<p><i>n.</i> The manual or printed signature of the practitioner’s firm.</p> <p><i>o.</i> The city and state where the practitioner practices. (Ref: par. EX A81)</p> <p><i>p.</i> The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner’s opinion, including evidence that</p> <ul style="list-style-type: none"> <i>i.</i> the attestation documentation has been reviewed, and <i>ii.</i> if applicable, the written presentation of the subject matter has been completed.) (Ref: par. EX A82–EX A83) 	<p>EX A79. A single practitioner’s report may cover more than one aspect of a subject matter . When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter (for example, examination level related to some aspects and review level related to others, or an unmodified opinion on some aspects and a modified opinion on others).</p> <p>EX A80. A practitioner may report on subject matter at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner’s report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation of the subject matter or in the report, even if the subject matter for the preceding date or period is not presented.</p> <p><i>Location (Ref: par. EX 60o)</i> EX A81. In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.</p> <p><i>Date (Ref: par. EX 60p)</i> EX A82. Including the date of the practitioner’s report informs the intended users that the practitioner has considered the effect of the events that occurred up to that date on the subject matter and the report.</p> <p>EX A83. Because the practitioner expresses an opinion on the subject</p>

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	<p>matter and the subject matter is the responsibility of the responsible party, the practitioner is not in a position to conclude that sufficient appropriate evidence has been obtained until evidence is obtained that all the elements that the subject matter comprises, including any related notes, when applicable, have been prepared, and the responsible party has accepted responsibility for them.</p>
<p>Restricted Use Paragraph</p>	<p>Restricted-Use Paragraph (Ref: par. EX 48, EX 61, and EX 62b–c)</p>
<p>EX 61. In the following circumstances, the practitioner’s report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .EX A84–EX A90)</p> <ul style="list-style-type: none"> a. The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria. b. The criteria used to evaluate the subject matter are available only to specified parties. c. The engaging party is not the responsible party, and the responsible party does not provide the written representations required by paragraph .EX 48, but does provide oral responses to the practitioner’s inquiries about the matters in paragraph . EX 48, as provided for in paragraph EX 49and EX 54a. In this case, the use of the practitioner’s report should be restricted to the engaging party. 	<p>EX A84. A practitioner’s report for which the conditions in paragraph EX 61 do not apply need not include an alert that restricts its use. However, nothing in the attestation standards precludes a practitioner from including such an alert in any practitioner’s report or other practitioner’s written communication.</p> <p>EX A85. A practitioner’s report that is required by paragraph EX 61 to include an alert that restricts the use of the report may be included in a document that also contains a practitioner’s report that is for general use. In such circumstances, the use of the general use report is not affected.</p> <p>EX A86. A practitioner may also issue a single combined practitioner’s report that includes</p> <ul style="list-style-type: none"> a a practitioner’s report that is required by paragraph EX 61 to include an alert that restricts its use, and b a report that is for general use. If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headings, the alert that restricts the use of the report may be limited to the report required by paragraph EX 61 to include such an alert. In such circumstances, the use of the general use report is not affected. <p>EX A87. The practitioner may identify the specified parties by naming</p>

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	<p>them, referring to a list of those parties, or identifying the class of parties, for example, “all customers of XYZ Company during some or all of the period January 1, 20XX to December 31, 20XX.” The method of identifying the specified parties is determined by the practitioner.</p> <p>EX A88. In some cases, the criteria used to measure or evaluate the subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts users of the practitioner’s report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.</p> <p>EX A89. The alert that restricts the use of the practitioner’s report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the responsible party and, if different, the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the responsible party or, if different, the engaging party, that the intended use of the report will be restricted and may obtain the responsible party’s agreement that the responsible party and specified parties will not distribute such report to parties other than those identified therein. A practitioner is not responsible for controlling, and cannot control, distribution of the report after its release.</p> <p>EX A90. In some cases, a restricted-use practitioner’s report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to a restricted-use report in which it is not named as a specified party.</p>
<p>EX 62. The alert should</p>	

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<ul style="list-style-type: none"> a. state that the practitioner’s report is intended solely for the information and use of the specified parties, b. identify the specified parties for whom use is intended, and (Ref: par. .EX A87) c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .EX A84–EX A90) 	
<p>EX 63. When the engagement is also performed in accordance with <i>Government Auditing Standards</i>, the alert that restricts the use of the practitioner’s report should include the following information, rather than the information required by paragraph .EX 62:</p> <ul style="list-style-type: none"> a. A description of the purpose of the report b. A statement that the report is not suitable for any other purpose 	
Reference to the Practitioner’s Specialist	Reference to the Practitioner’s Specialist (Ref: par. EX 64)
EX 64. The practitioner should not refer to the work of a practitioner’s specialist in the practitioner’s report containing an unmodified opinion. (Ref: par. .EX A91)	EX A91. The practitioner has sole responsibility for the opinion expressed, and that responsibility is not reduced by the practitioner’s use of the work of a practitioner’s specialist.
Modified Opinions	Modified Opinions (Ref: par. EX 65, EX 68, and EX 71)
<p>EX 65. The practitioner should modify the opinion when either of the following circumstances exist and, in the practitioner’s professional judgment, the effect of the matter is or may be material: (Ref: par. EX A92–EX A93)</p> <ul style="list-style-type: none"> a. The practitioner is unable to obtain sufficient appropriate evidence to conclude that the subject matter is in accordance with (or based on) the criteria, in all material respects. 	<p>EX A92. The three types of modified opinions are a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends upon the following:</p> <ul style="list-style-type: none"> a. The nature of the matter giving rise to the modification (that is, whether the subject matter of the engagement is in accordance with [or based on] the criteria, in all material respects or, in the case of an inability to obtain sufficient appropriate evidence, may be materially misstated)

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<p>b. The practitioner concludes, based on evidence obtained, that the subject matter is not in accordance with (or based on) the criteria, in all material respects.</p>	<p>b. The practitioner’s professional judgment about the pervasiveness of the effects or possible effects of the matter on the subject matter of the engagement</p> <p>EX A93. A practitioner may express an unmodified opinion only when the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that the practitioner considers necessary in the circumstances.</p>
<p>EX 66. When the practitioner modifies the opinion, the practitioner should include a separate paragraph in the practitioner’s report that provides a description of the matter(s) giving rise to the modification.</p>	
<p>EX 67. The practitioner should express a qualified opinion when (Ref: par. .A105–.A109)</p> <p>a. the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive to the subject matter or</p> <p>b. the practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, but the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material, but not pervasive.</p>	<p>EX A94. The term <i>pervasive</i> describes the effects on the subject matter of misstatements or the possible effects on the subject matter of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate evidence. Pervasive effects on the subject matter are those that, in the practitioner’s professional judgment</p> <p>a. are not confined to specific aspects of the subject matter;</p> <p>b. if so confined, represent or could represent a substantial proportion of the subject matter; or</p> <p>c. in relation to disclosures, are fundamental to the intended users’ understanding of the subject matter.</p> <p>EX A95. The following table illustrates how the practitioner’s professional judgment about the nature of the matter giving rise to the modification and the pervasiveness of its effects or possible effects on the subject matter</p>

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	<p>affects the type of practitioner’s report to be issued.</p> <p>EX A96. A scope limitation may arise from the following:</p> <ul style="list-style-type: none"> a. Circumstances beyond the control of the appropriate party(ies). For example, documentation that the practitioner considers necessary to inspect may have been accidentally destroyed. b. Circumstances relating to the nature or timing of the practitioner’s work. For example, a physical process that the practitioner considers necessary to observe may have occurred before the practitioner’s engagement. c. Limitations imposed by the responsible party or the engaging party on the practitioner that, for example, may prevent the practitioner from performing a procedure that the practitioner considers necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the practitioner’s consideration of risks of material misstatement and engagement acceptance and continuance. <p>EX A97. The inability to obtain written representations from the responsible party ordinarily would result in a scope limitation. However, when the engaging party is not the responsible party, paragraph EX 49 enables the practitioner to make inquiries of the responsible party and if the responsible party’s oral responses enable the practitioner to conclude that the practitioner has sufficient appropriate evidence to form an opinion about the subject matter, paragraph EX 54a indicates this would not cause a scope limitation. Further, paragraph . EX 54a requires that the practitioner’s report in these circumstances contain an alert paragraph that restricts the use of the report to the engaging party.</p> <p>EX A98. The practitioner’s decision to express a qualified opinion,</p>

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	disclaim an opinion, or withdraw from the engagement because of a scope limitation depends on an assessment of the effect of the omitted procedure(s) on the practitioner’s ability to express an opinion. This assessment will be affected by the nature and magnitude of the potential effects of the matters in question and by their significance to the subject matter.
	EX A99. If the responsible party’s failure to provide the practitioner with written representations causes the practitioner to conclude that a scope limitation exists and, thus, qualify or disclaim an opinion, the practitioner need not restrict the use of the practitioner’s report but is required by paragraph EX 66 to describe the matter that gave rise to the modified opinion. Paragraph EX A84 notes, however, that the practitioner is not precluded from restricting the use of any report.
EX 68. When the practitioner expresses a qualified opinion due to a material misstatement of the subject matter, the practitioner should state that, in the practitioner’s opinion, except for the effects of the matter(s) giving rise to the modification, the subject matter is presented in accordance with (or based on) the criteria, in all material respects. When the modification arises from an inability to obtain sufficient appropriate evidence, the practitioner should use the corresponding phrase “except for the possible effects of the matter(s) ...” for the modified opinion.	
EX 69. The practitioner should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.	
EX 70. When the practitioner expresses an adverse opinion, the practitioner should state that, in the practitioner’s opinion, because of the significance of the matter(s) giving rise to the modification, the subject matter is not presented in accordance with (or based on) the criteria, in all material respects.	
EX 71. The practitioner should disclaim an opinion when the practitioner is	EX A100. An inability to perform a specific procedure does not constitute

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unable to obtain sufficient appropriate evidence on which to base the opinion, and the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive. (Ref: par. .EX A100)	a scope limitation if the practitioner is able to obtain sufficient appropriate evidence by performing alternative procedures.
<p>EX 72. .When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner’s report should state that</p> <ul style="list-style-type: none"> a. because of the significance of the matter(s) giving rise to the modification, the practitioner has not been able to obtain sufficient appropriate evidence to provide a basis for a direct examination opinion and b. accordingly, the practitioner does not express an opinion on the subject matter. 	
Description of the Practitioner’s Responsibility When the Practitioner Expresses a Qualified or an Adverse Opinion	
EX 73. When the practitioner expresses a qualified or an adverse opinion, the practitioner should amend the description of the practitioner’s responsibility to state that the practitioner believes that the evidence the practitioner has obtained is sufficient and appropriate to provide a basis for the practitioner’s modified opinion.	
Description of the Practitioner’s Responsibility When the Practitioner Disclaims an Opinion	
EX 74. When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner should amend the practitioner’s report to state that the practitioner was engaged to conduct a direct examination of the subject matter. The practitioner should also amend the description of the practitioner’s responsibility and the description of a direct examination to state only the following: “Our responsibility is to express an opinion on the subject matter based on conducting the direct examination in accordance with attestation standards established by the American Institute of Certified Public	

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Accountants. Because of the limitation on the scope of our direct examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the subject matter is in accordance with (or based on) the criteria, in all material respects.”	
EX 75. If the practitioner expresses a modified opinion because of a scope limitation but is also aware of a matter(s) that causes the subject matter to be materially misstated, the practitioner should include in the practitioner’s report a clear description of both the scope limitation and the matter(s) that causes the subject matter to be materially misstated.	
EX 76. The practitioner’s opinion on the subject matter should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities.	
EX 77. When the opinion is modified, reference to an external specialist is permitted when such reference is relevant to an understanding of the modification to the practitioner’s opinion. The practitioner should indicate in the practitioner’s report that such reference does not reduce the practitioner’s responsibility for that opinion.	
Communication Responsibilities	Communication Responsibilities (Ref: par. EX 78–EX 79)
EX 78. The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, uncorrected misstatements, and, when relevant to the subject matter, internal control deficiencies identified during the engagement. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. EX A101)	EX A101. Other matters that may be appropriate to communicate to the responsible party or, if different, the engaging party, include bias in the measurement, evaluation, or disclosure of the subject matter. (Ref: par. .85)
EX 79. If the practitioner has identified or suspects noncompliance with laws or regulations that are not relevant to the subject matter, the practitioner should determine whether the practitioner has a responsibility to report the identified or suspected noncompliance to parties other than the responsible party and the engaging party (if different). (Ref: par. .EX A102–EX A103)	EX A102. The practitioner’s professional duty to maintain the confidentiality of client information may preclude the practitioner from reporting identified or suspected noncompliance with laws or regulations that is not relevant to the subject matter to a party other than the responsible party and, if different, the engaging party. However, the practitioner’s legal

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	<p>responsibilities may vary by jurisdiction, and in certain circumstances, the duty of confidentiality may be overridden by statute, the law, or courts of law. In the following circumstances, a duty to notify parties outside the entity may exist:</p> <ul style="list-style-type: none"> • In response to a court order • In compliance with requirements for examinations of entities that receive financial assistance from a government agency <p>Because potential conflicts with the practitioner’s ethical and legal obligations for confidentiality may be complex, the practitioner may consult with legal counsel before discussing noncompliance with parties outside the entity. (Ref: par. EX 79))</p>
	<p>EX A103. If the practitioner is performing a direct examination engagement in accordance with <i>Government Auditing Standards</i>, the practitioner may be required to report on compliance with laws, regulations, and provisions of contracts or grant agreements as part of the direct examination. The practitioner also may be required to communicate instances of noncompliance to appropriate oversight bodies and funding agencies. (Ref: par. EX 79)</p>
<p>Documentation</p>	<p>Documentation (Ref: par. EX 80)</p>
<p>EX 80. The practitioner should prepare engagement documentation that is sufficient to determine (Ref: par. EX A104–EX A107)</p> <p style="margin-left: 40px;">a. the nature, timing, and extent of the procedures performed to comply with this section and applicable legal and regulatory requirements, including</p> <p style="margin-left: 80px;">i. the identifying characteristics of the specific items or matters tested;</p>	<p>EX A104. Documentation includes a record of the practitioner’s reasoning on all significant findings or issues that require the exercise of professional judgment and related conclusions. The existence of difficult questions of principle or professional judgment calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.</p>

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<ul style="list-style-type: none"> ii. who performed the engagement work and the date such work was completed; iii. the discussions with the responsible party or others about findings or issues that, in the practitioner’s professional judgment, are significant, including the nature of the significant findings or issues discussed, and when and with whom the discussions took place; iv. when the engaging party is the responsible party and the responsible party will not provide one or more of the requested written representations or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations; or that the written representations are otherwise not reliable, the matters in paragraph .EX 53; v. when the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph EX 48, the oral responses from the responsible party to the practitioner’s inquiries regarding the matters in paragraph EX 48, in accordance with paragraph EX 49; and vi. who reviewed the engagement work performed and the date and extent of such review. <p>b. the results of the procedures performed and the evidence obtained.</p>	
<p>EX 81. If the practitioner identified information that is inconsistent with the practitioner’s final conclusion regarding a significant finding or issue, the practitioner should document how the practitioner addressed the inconsistency.</p>	<p>EX A105. It is neither necessary nor practical to document every matter considered, or professional judgment made, during an engagement. Further, it is unnecessary for the practitioner to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included in the engagement file. Similarly, the practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors,</p>

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<p>EX 82. If, in circumstances such as those described in paragraph .EX 47, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner’s report, the practitioner should document</p> <ol style="list-style-type: none"> a. the circumstances encountered; b. the new or additional procedures performed, evidence obtained, and conclusions reached and their effect on the report; and c. when and by whom the resulting changes to the documentation were made and reviewed. 	<p>and duplicates of documents.</p> <p>EX A106. In applying professional judgment to assess the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an experienced practitioner, having no previous connection with the engagement, with an understanding of the work performed and the basis of the principal decisions made.</p>
	<p>EX A107. Documentation ordinarily includes a record of</p> <ul style="list-style-type: none"> • issues identified with respect to compliance with relevant ethical requirements and how they were resolved. • conclusions on compliance with independence requirements that apply to the engagement and any relevant discussions with the firm that support these conclusions. • conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements. • the nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.
<p>EX 83. The practitioner should assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file no later than 60 days following the practitioner’s report release date. (Ref: par. EX A58)</p>	
<p>EX 84. After the documentation completion date, the practitioner should not delete or discard documentation of any nature before the end of its retention</p>	

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period.	
EX 85. If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the documentation completion date, the practitioner should, regardless of the nature of the amendments or additions, document <ul style="list-style-type: none"> a. the specific reasons for making the amendments or additions and b. when, and by whom, they were made and reviewed. 	
EX 86. The practitioner should assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file no later than 60 days following the practitioner's report release date. (Ref: par. .EX A58)	
EX 87. After the documentation completion date, the practitioner should not delete or discard documentation of any nature before the end of its retention period.	
EX 88. If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the documentation completion date, the practitioner should, regardless of the nature of the amendments or additions, document <ul style="list-style-type: none"> a. the specific reasons for making the amendments or additions and b. when, and by whom, they were made and reviewed. 	

Direct Review Engagements

Proposed AT-C Section, <i>Direct Review Engagements</i> Requirements	Proposed AT-C Section, <i>Direct Review Engagements</i> Application and Other Explanatory Material
Introduction	

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Proposed AT-C Section, <i>Direct Review Engagements</i> Requirements	Proposed AT-C Section, <i>Direct Review Engagements</i> Application and Other Explanatory Material
R1. This section contains performance and reporting requirements and application guidance for all direct review engagements. The requirements and guidance in this section supplement the requirements and guidance in section CC, <i>Concepts Common to All Direct Engagements</i> .	
Objectives	
R2. In conducting a direct review engagement, the objectives of the practitioner are to <ul style="list-style-type: none"> a. obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria; b. express a conclusion in a written report, based on the outcome of the practitioner's evaluation of the subject matter, about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria c. communicate further as required by this section. 	
Definitions	
R3. For purposes of this section, the following terms have the meanings attributed as follows:	
Appropriateness of direct review evidence. The measure of the quality of review evidence, that is, its relevancy and reliability in providing support for the practitioner's conclusion.	
Direct review evidence. Information used by the practitioner in obtaining limited assurance on which the practitioner's review report is based.	
Sufficiency of direct review evidence. The measure of the quantity of direct review evidence. The quantity of the direct review evidence needed is affected by the risks of material misstatement and also by the quality of such	

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evidence.	
Requirements	
Conduct of a Direct Review Engagement	Conduct of a Direct Review Engagement (Ref: par. R4-R6)
R4. In performing a direct review engagement, the practitioner should comply with this section and section CC (Ref: par. R.A1)	R.A1. For example, if a practitioner was performing a direct review engagement, section CC and this section would be relevant.
R5. The practitioner should consider whether the nature of review procedures would enable the practitioner to obtain sufficient appropriate review evidence to obtain limited assurance. (Ref: par. R.A2)	R.A2. Direct review procedures generally are limited to inquiries and analytical procedures. In circumstances in which inquiry and analytical procedures are not expected to provide sufficient appropriate direct review evidence, or when the nature of the subject matter does not lend itself to the application of analytical procedures, the practitioner may perform other procedures that he or she believes can provide the practitioner with a level of assurance equivalent to that which inquiries and analytical procedures would have provided. If the practitioner cannot design other procedures to obtain sufficient appropriate review evidence, a direct review engagement may not be appropriate.
R6. A practitioner should not perform a direct review of (Ref: par. . R.A2) <ul style="list-style-type: none"> a. prospective financial information, b. internal control, or c. compliance with requirements of specified laws, regulations, rules, contracts, or grants 	
Agreeing on the Terms of the Engagement	Agreeing on the Terms of the Engagement (Ref: par. R7 and R8b)
R7. The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A3)	R.A3. It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.
R8. The agreed-upon terms of the engagement should include the following: <ul style="list-style-type: none"> a. The objective and scope of the engagement 	R.A4. A practitioner may further describe the responsibilities of the practitioner by adding the following items to the engagement letter or other suitable form of written agreement:

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<ul style="list-style-type: none"> b. The responsibilities of the practitioner (Ref: par. R.A4) c. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants d. The responsibilities of the responsible party and the responsibilities of the engaging party, if different e. A statement that a direct review is substantially less in scope than a direct examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion, and that, accordingly, the practitioner will not express such an opinion f. Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter g. An acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement 	<ul style="list-style-type: none"> a. A statement that a direct review is designed to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria b. A statement that the objective of a review is the expression of a conclusion in a written practitioner’s report about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it be in accordance with (or based on) the criteria
<p>R9. Although an engagement may recur, each engagement is considered a separate engagement. The practitioner should assess whether circumstances require revision to the terms of a preceding engagement. If the practitioner concludes that the terms of the preceding engagement need not be revised for the current engagement, the practitioner should remind the engaging party of the terms of the current engagement, and the reminder should be documented.</p>	
<p>Planning and Performing the Engagement</p>	<p>Planning and Performing the Engagement (Ref: par. .R10–R11)</p>
<p>R10. The practitioner should set the scope, timing, and direction of the engagement and determine the nature, timing, and extent of the planned procedures that are required to be carried out in order to achieve the</p>	<p>R.A5. Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner’s specialists. Adequate planning helps the practitioner devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly</p>

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<p>objectives of the engagement. (Ref: par. R.A5–R.A8)</p>	<p>organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner in properly assigning work to engagement team members, and facilitates the direction, supervision, and the review of their work. Further, it assists, when applicable, the coordination of work performed by other practitioners and practitioner’s specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner’s previous experience with it.</p> <p>Examples of relevant matters that may be considered include the following:</p> <ul style="list-style-type: none"> • The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the underlying subject matter, and the criteria • The expected timing and nature of the communications required • The results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the appropriate party(ies) is relevant • The engagement process, including possible sources of review evidence, and choices among alternative measurement or evaluation methods • The practitioner’s understanding of the appropriate party(ies) and its (their) environment, including the risks that the subject matter may be materially misstated • Identification of intended users and their information needs and consideration of materiality and the components of attestation risk • The risk of fraud relevant to the engagement

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	<ul style="list-style-type: none"> • The effect on the engagement of using the internal audit function
	<p>R.A6. The practitioner may decide to discuss elements of planning with the appropriate party(ies) to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the responsible party’s personnel). Although these discussions often occur, the elements of planning remain the practitioner’s responsibility. When discussing planning matters, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.</p>
	<p>R.A7. Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or review evidence obtained, the practitioner may need to revise the nature, timing, and extent of planned procedures.</p>
	<p>R.A8. In smaller or less complex engagements, the entire engagement may be conducted by a very small engagement team, possibly involving the engagement partner (who may be a sole practitioner) working without any other engagement team members. With a smaller team, coordination of, and communication among, team members is easier. In such cases, planning the engagement need not be a complex or time consuming exercise; it varies according to the size of the entity, the complexity of the engagement, and the size of the engagement team.</p>
<p>R11. The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to provide a basis for designing and performing procedures in order to achieve the objectives of the engagement. That understanding should include the practices used to measure, recognize, and record the subject matter. (Ref: par. R.A9)</p>	<p>R.A9. Obtaining an understanding of the subject matter and other engagement circumstances provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example, when</p> <ul style="list-style-type: none"> • considering the characteristics of the subject matter; • assessing the suitability of the criteria;

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	<ul style="list-style-type: none"> • considering the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts, including situations in which special consideration may be necessary (for example, when there is a need for specialized skills or the work of a specialist); • establishing and evaluating the continued appropriateness of quantitative materiality levels (when appropriate) and considering qualitative materiality factors; • developing expectations when performing analytical procedures; • designing and performing procedures; and • evaluating review evidence, including the reasonableness of the written representations received by the practitioner. In some review engagements, the practitioner may obtain an understanding of internal control over the measurement, evaluation, or disclosure of the subject matter.
<p>Materiality in Planning and Performing the Engagement</p>	<p>Materiality in Planning and Performing the Engagement (Ref: par. R12)</p>
<p>R12. The practitioner should consider materiality when (Ref: par. R.A10–R.A15)</p> <ul style="list-style-type: none"> • planning and performing the review engagement, including when determining the nature, timing, and extent of procedures. • evaluating whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria. 	<p>R.A10. Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner’s professional judgment.</p>
	<p>R.A11. Professional judgments about materiality are made in light of surrounding circumstances, but they are not affected by the level of assurance, that is, for the same intended users, materiality for a review engagement is the</p>

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	<p>same as it is for an examination engagement because materiality is based on the information needs of intended users and not the level of assurance.</p>
	<p>R.A12. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of intended users that are made based on the subject matter. The practitioner’s consideration of materiality is a matter of professional judgment and is affected by the practitioner’s perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users</p> <ul style="list-style-type: none"> a. have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence. b. understand that the subject matter is measured or evaluated and reviewed to appropriate levels of materiality and have an understanding of any materiality concepts included in the criteria. c. understand any inherent uncertainties involved in measuring or evaluating the subject matter. d. make reasonable decisions on the basis of the subject matter taken as a whole. <p>Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.</p>
	<p>R.A13. Qualitative factors may include the following:</p> <ul style="list-style-type: none"> • The interaction between, and relative importance of, various aspects of the subject matter, such as numerous performance indicators

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	<ul style="list-style-type: none"> • The wording chosen with respect to subject matter that is expressed in narrative form, for example, the wording chosen does not omit or distort the information • The characteristics of the presentation adopted for the subject matter when the criteria allow for variations in that presentation • The nature of a misstatement • Whether a misstatement affects compliance with laws or regulations • In the case of periodic reporting on a subject matter, the effect of an adjustment that affects past or current information about the subject matter or is likely to affect future information about the subject matter • Whether a misstatement is the result of an intentional act or is unintentional • Whether a misstatement is significant with regard to the practitioner’s understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the subject matter • Whether a misstatement relates to the relationship between the responsible party and, if different, the engaging party or its relationship with other parties
	<p>R.A14. Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter, if any, that are</p> <ul style="list-style-type: none"> • expressed numerically or • otherwise related to numerical values.
	<p>R.A15. The criteria may discuss the concept of materiality in the context of the</p>

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	<p>preparation and presentation of the subject matter and thereby provide a frame of reference for the practitioner in considering materiality for the engagement. Although criteria may discuss materiality in different terms, the concept of materiality generally includes the matters discussed in paragraphs .R.A10–R.A14. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.</p>
<p>Procedures to Be Performed</p>	<p>Procedures to Be Performed (Ref: par. R13–R14)</p>
<p>R13. To obtain limited assurance, the practitioner should obtain sufficient appropriate review evidence in order to express a conclusion about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria.</p>	
<p>R14. The practitioner should apply professional judgment in determining the specific nature, timing, and extent of review procedures. Based on (Ref: par. .R.A16–R.A18)</p> <ul style="list-style-type: none"> a. the practitioner’s understanding of <ul style="list-style-type: none"> i. the subject matter and the practices used by the responsible party to measure, recognize, and record the subject matter and ii. the engagement circumstances, and b. the practitioner’s awareness of the risk that the practitioner may unknowingly fail to modify the practitioner’s report when the subject matter is materially misstated, <p>the practitioner should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to accumulate review evidence in obtaining limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria.</p>	<p>R.A16. Direct review evidence obtained through the performance of analytical procedures and inquiry will ordinarily provide the practitioner with a reasonable basis for obtaining limited assurance. However, the practitioner may determine it is appropriate to perform additional procedures if the practitioner determines such procedures to be necessary in order to meet the objectives of this section.</p>
	<p>R.A17. The degree to which procedures beyond analytical procedures and</p>

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	<p>inquiry may be performed may be influenced by factors specific to the engagement. The practitioner may substitute other procedures that provide equivalent levels of direct review evidence.</p>
	<p>R.A18. Information may come to the practitioner’s attention that differs significantly from that on which the determination of planned procedures was based. As the practitioner performs planned procedures, the review evidence obtained may cause the practitioner to perform additional procedures. Such procedures may include asking the responsible party to examine the matter identified by the practitioner and to make adjustments to the subject matter, if appropriate.</p>
<p>Analytical procedures may not be possible when the subject matter is qualitative, rather than quantitative. In those circumstances, the practitioner should perform other procedures, in addition to inquiries, that provide equivalent levels of review evidence. (Ref: par. .R.A19)</p>	<p>R.A19. Direct review procedures generally are limited to inquiries and analytical procedures. In circumstances in which inquiry and analytical procedures are not expected to provide sufficient appropriate review evidence, or when the nature of the subject matter does not lend itself to the application of analytical procedures, the practitioner may perform other procedures that he or she believes can provide the practitioner with a level of assurance equivalent to that which inquiries and analytical procedures would have provided. If the practitioner cannot design other procedures to obtain sufficient appropriate direct review evidence, a direct review engagement may not be appropriate.</p>
<p>R15. The practitioner should place increased focus in those areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated. (Ref: par. .R.A20–R.A22)</p>	<p>R.A20. The results of the practitioner’s analytical procedures and inquiries may modify the practitioner’s risk awareness.</p>
	<p>R.A21. The practitioner may become aware of a matter(s) that causes the practitioner to believe the subject matter may be materially misstated, for example, when the practitioner</p> <ul style="list-style-type: none"> • is performing analytical procedures and identifies a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expected amounts or ratios. • becomes aware of a potential material misstatement from reviewing external sources.

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	<ul style="list-style-type: none"> • discovers a 5% error rate in the results of tests for which the applicable criteria permit a 4% error rate and, determines that additional procedures may be needed because the risk of a material misstatement may not be acceptable in the engagement circumstances. • determines that the results of analytical procedures are within expectations but are, nevertheless, close to exceeding the expected value, and that additional procedures may be needed because the risk of a material misstatement may not be acceptable in the engagement circumstances.
	R.A22. If, in the case of a review engagement, a matter(s) comes to the practitioner's attention that causes the practitioner to believe that a material misstatement exists, the practitioner is required by paragraph R22 to design and perform additional procedures. Additional procedures may include, for example, inquiring of the appropriate party(ies) or performing other procedures as appropriate in the circumstances.
Analytical Procedures	Analytical Procedures (Ref: par. .19–.20)
R16. When designing and performing analytical procedures, the practitioner should (Ref: par. .R.A23–R.A24) <ul style="list-style-type: none"> a. determine the suitability of particular analytical procedures for the subject matter, taking into account the practitioner's awareness of risks; b. evaluate the reliability of data from which the practitioner's expectation is developed, taking into account the source, comparability, nature, and relevance of information available; and c. develop an expectation with respect to recorded amounts or ratios. 	R.A23. An understanding of the purposes of analytical procedures and the limitations of those procedures is important. Accordingly, the identification of the relationships and types of data used, as well as conclusions reached when recorded amounts are compared to expectations, requires professional judgment by the practitioner.
	R.A24. Analytical procedures involve comparisons of expectations developed by the practitioner to recorded amounts or ratios developed from recorded amounts. The practitioner develops such expectations by identifying and using

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	plausible relationships that are reasonably expected to exist based on the practitioner's understanding of the subject matter; the practices used by the responsible party to measure, recognize, and record the subject matter; and, if applicable, the industry in which the entity operates.
R17. If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected amounts or ratios, the practitioner should (Ref: par. .A29) <ul style="list-style-type: none"> a. inquire of the responsible party about such differences and b. consider the responses to these inquiries to determine whether other procedures are necessary in the circumstances 	R.A25. Analytical procedures in a direct review engagement are not designed to identify misstatements with the level of precision expected in a direct examination engagement. Further, when significant fluctuations, relationships, or differences are identified, appropriate direct review evidence in a direct review engagement may often be obtained by making inquiries of the responsible party and considering responses received in the light of known engagement circumstances without obtaining additional evidence required in the case of a direct examination engagement.
Inquiries and Other Review Procedures	Inquiries and Other Review Procedures (Ref: par. R18)
R18. The practitioner should inquire of the responsible party about the following: (Ref: par. R.A26) <ul style="list-style-type: none"> a. The practices used by the responsible party to measure, recognize, and record the subject matter b. Questions that have arisen in the course of applying the review procedures c. Communications from regulatory agencies or others, if relevant 	R.A26. The practitioner is not ordinarily required to corroborate the responsible party's responses with other review evidence.
R19. The practitioner should consider the reasonableness and consistency of the responsible party's responses in light of the results of other review procedures and the practitioner's knowledge of the subject matter, criteria, and responsible party.	
Fraud, Laws, and Regulations	Fraud, Laws, and Regulations (Ref: par. R21)
R20. The practitioner should make inquiries of appropriate parties to determine whether they have knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter.	

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<p>R21. The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws or regulations affecting the subject matter that is identified during the engagement. (Ref: par. EX A27–EX A28)</p>	<p>R.A27. In responding to fraud or suspected fraud identified during the engagement, it may be appropriate, unless prohibited by law, regulation, or ethics standards, for the practitioner to, for example</p> <ul style="list-style-type: none"> • discuss the matter with the appropriate party(ies). • request that the responsible party consult with an appropriately qualified third party, such as the entity’s legal counsel or a regulator. • consider the implications of the matter in relation to other aspects of the engagement, including the practitioner’s planning and the reliability of written representations from the responsible party. • obtain legal advice about the consequences of different courses of action. • communicate with third parties (for example, a regulator). • withdraw from the engagement.
	<p>R.A28. The actions noted in paragraph R.A27 also may be appropriate in responding to noncompliance or suspected noncompliance with laws or regulations identified during the engagement. It may also be appropriate to describe the matter in a separate paragraph of the practitioner’s report, unless the practitioner</p> <ol style="list-style-type: none"> a. is precluded by the responsible party from obtaining sufficient appropriate direct review evidence to evaluate whether noncompliance that may be material to the subject matter has, or is likely to have, occurred, in which case, paragraph R54 applies or b. concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraphs R48–R53 apply.
<p>Incorrect, Incomplete, or Otherwise Unsatisfactory Information</p>	

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R22. During the performance of review procedures, if the practitioner becomes aware that information coming to the practitioner’s attention is incorrect, incomplete, or otherwise unsatisfactory, the practitioner should request that the responsible party consider the effect of these matters on the subject matter and communicate the results of its consideration to the practitioner. The practitioner should consider the results communicated to the practitioner by the responsible party and the potential effect, if any, on the practitioner’s report.	
R23. If the practitioner believes the subject matter may be materially misstated, the practitioner should perform additional procedures sufficient to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria.	
Using the Work of a Practitioner’s Specialist or Internal Auditors	
R24. When the practitioner expects to use the work of a practitioner’s specialist or internal auditors, the practitioner should apply the requirements in paragraphs EX 34–EX 42, and the related application guidance, as appropriate, for a direct review engagement. ⁴	
R25. Evaluating the Results of Direct Review Procedures	Evaluating the Results of Review Procedures (Ref: par. .R26–R27)
R26. The practitioner should accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: par. R.A29–R.A30)	R.A29. Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in aggregate, they are material when forming the practitioner’s conclusion. (See paragraph R40b.)
	R.A30. Clearly trivial” is not another expression for “not material.” Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality and will be matters that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size,

⁴ Paragraphs .36–.44 of section 205, *Examination Engagements*.

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	nature, or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.
R27. The practitioner should evaluate the sufficiency and appropriateness of the direct review evidence obtained in the context of the engagement and, if necessary, attempt to obtain further review evidence. The practitioner should consider all relevant direct review evidence, regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. R.A31–R.A33)	R.A31. Sufficient appropriate direct review evidence is necessary to support the practitioner’s conclusion and report
	R.A32. The sufficiency and appropriateness of direct review evidence are interrelated. Sufficiency of direct review evidence is the measure of the quantity of direct review evidence. The quantity of the direct review evidence needed is affected by the risks of material misstatement and also by the quality of such direct review evidence.
	R.A33. Whether sufficient appropriate direct review evidence has been obtained on which to base the practitioner’s conclusion is a matter of professional judgment.
R28. If the practitioner concludes that the subject matter is materially misstated or is unable to obtain direct review evidence sufficient for limited assurance, the practitioner should consider the implications for the practitioner’s conclusion in paragraphs .R48–R53.	
Considering Subsequent Events and Subsequently Discovered Facts	Considering Subsequent Events and Subsequently Discovered Facts (Ref: par. R29–R30)
R29. The practitioner should inquire whether the responsible party, and if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the direct review engagement up to the date of the practitioner’s report that could have a significant effect on the subject matter. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter, the practitioner should take appropriate action. (Ref: par. .R.A34–R.A35)	R.A34. Procedures that a practitioner may perform to identify subsequent events include inquiring about and considering information <ul style="list-style-type: none"> • contained in relevant reports issued during the subsequent period by internal auditors, other practitioners, or regulatory agencies • obtained through other professional engagements for that entity

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	<p>R.A35. If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent users of the practitioner’s report from being misled, appropriate actions the practitioner may take include</p> <ul style="list-style-type: none"> • disclosing the event in the report and modifying the practitioner’s conclusion. • withdrawing from the engagement.
<p>R30. The practitioner has no responsibility to perform any procedures regarding the subject matter after the date of the practitioner’s report. Nevertheless, the practitioner should respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. R.A36–R.A37)</p>	<p>R.A36. Subsequent to the date of the practitioner’s report, the practitioner may become aware of facts that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. In such circumstances, the practitioner undertakes to determine whether the facts existed at the date of the report and, if so, whether persons are currently using or likely to use the report and related subject matter who would attach importance to these facts. This may include discussing the matter with the appropriate party(ies) and requesting the appropriate party(ies)’s cooperation in whatever investigation or further action that may be necessary. The specific actions to be taken in a particular case by the appropriate party(ies) and the practitioner may vary with the circumstances. Consideration may be given to, among other things, the time elapsed since the date of the report and whether issuance of a subsequent report is imminent. The practitioner may need to perform additional procedures deemed necessary to determine whether the subject matter needs revision and whether the previously issued report continues to be appropriate.</p>
	<p>R.A37. Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party(ies) to persons who would attach importance to these facts and who are currently using, or are likely to use, the practitioner’s report who would attach importance to the facts is necessary. This may be the case, for example, when</p>

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	<p><i>a.</i> the report is not to be relied upon because the subject matter needs revision or the practitioner is unable to determine whether revision is necessary, and</p> <p><i>b.</i> issuance of a subsequent report is not imminent.</p> <p>If the appropriate party(ies) failed to take the necessary steps to prevent reliance on the report, the practitioner’s course of action depends upon the practitioner’s legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and of its effect on the subject matter and the report, avoiding comments concerning the conduct or motives of any person.</p>
<p>Written Representations</p>	<p>Written Representations (Ref: par. R31-R32, and R33e)</p>
<p>R31. The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should (Ref: par. .R.A38–R.A41)</p> <ul style="list-style-type: none"> <i>a.</i> state that all relevant matters are reflected in the measurement or evaluation of the subject matter. <i>b.</i> state that all known matters contradicting the subject matter and any communication from regulatory agencies or others affecting the subject matter have been disclosed to the practitioner, including communications received between the end of the period covered by the practitioner’s conclusion and the date of the practitioner’s report. <i>c.</i> acknowledge responsibility for <ul style="list-style-type: none"> <i>i.</i> the subject matter ; <i>ii.</i> selecting the criteria, when applicable; and 	<p>R.A38. Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person(s) from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party(ies), which may vary by entity, reflecting influences such as size and ownership characteristics.</p> <p>R.A39. Representations by the responsible party cannot replace other direct review evidence the practitioner could reasonably expect to be available. Although written representations provide direct review evidence, they do not provide sufficient appropriate direct review evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other direct review evidence that the practitioner obtains.</p>

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<p>iii. determining that such criteria are appropriate for the responsible party's purposes, when applicable.</p> <p>d. state that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter have been disclosed to the practitioner. (Ref: par.R.A40)</p> <p>e. state that it has provided the practitioner with all relevant information and access.</p> <p>f. if applicable, state that the responsible party believes the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the subject matter. (Ref: par. .R.A41)</p> <p>g. if applicable, state that significant assumptions used in making any material estimates are reasonable.</p> <p>h. state that the responsible party has disclosed to the practitioner</p> <p>i. all deficiencies in internal control relevant to the engagement of which the responsible party is aware;</p> <p>ii. its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter; and</p> <p>iii. other matters as the practitioner deems appropriate.</p>	<p>R.A40. A discussion of what is considered a material effect on the subject matter may be included explicitly in the representation letter in qualitative or quantitative terms.</p> <p>R.A41. A summary of uncorrected misstatements ordinarily is included in or attached to the written representation.</p>
<p>R32. When the engaging party is not the responsible party, and the responsible party refuses to provide the representations in paragraph R31 in writing, the practitioner should make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph R31.</p>	
<p>R33. When the engaging party is not the responsible party, the practitioner should request written representations from the engaging party, in addition to those requested from the responsible party, in the form of a letter addressed to</p>	

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<p>the practitioner. The representations should</p> <ul style="list-style-type: none"> <i>a.</i> acknowledge that the responsible party is responsible for the subject matter. <i>b.</i> acknowledge the engaging party’s responsibility for selecting the criteria, when applicable. <i>c.</i> acknowledge the engaging party’s responsibility for determining that such criteria are appropriate for its purposes. <i>d.</i> state that the engaging party is not aware of any material misstatements in the subject matter. <i>e.</i> state that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion. (Ref: par. .R.A40) <i>f.</i> address other matters as the practitioner deems appropriate. 	
<p>R34. When written representations are directly related to matters that are material to the subject matter, the practitioner should</p> <ul style="list-style-type: none"> <i>a.</i> evaluate their reasonableness and consistency with other direct review evidence obtained, including other representations (oral or written) and <i>b.</i> consider whether those making the representations can be expected to be well informed on the particular matters. 	
<p>R35. The date of the written representations should be as of the date of the practitioner’s report. The written representations should address the subject matter and periods covered by the practitioner’s conclusion.</p>	
<p>Requested Written Representations Not Provided or Are Unreliable</p>	<p>Requested Written Representations Not Provided or Not Reliable (Ref: par. .R37)</p>

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<p>R36. When the engaging party is the responsible party, and one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should</p> <ul style="list-style-type: none"> a. discuss the matter with the appropriate party(ies), b. reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and direct review evidence in general, and c. if any of the matters are not resolved to the practitioner's satisfaction, withdraw from the engagement. 	
<p>R37. When the engaging party is not the responsible party (Ref: par. R.A42)</p> <ul style="list-style-type: none"> a. If one or more of the requested representations are provided in writing by the responsible party, but the practitioner receives satisfactory oral responses to the practitioner's inquiries performed in accordance with paragraph R32 sufficient to enable the practitioner to conclude that the practitioner has sufficient appropriate direct review evidence to form a conclusion about the subject matter, the practitioner's report should contain a separate paragraph that restricts the use of the practitioner's report to the engaging party. (Paragraphs R45–R46 contain requirements for the contents of such a paragraph.) b. if one or more of the requested representations are provided neither in writing nor orally from the responsible party in accordance with paragraph R32, a scope limitation exists, and the practitioner should withdraw from the engagement. 	<p>R.A42. Even when the responsible party provides oral responses to the matters in paragraph R31, the practitioner may find it appropriate to consider whether there are significant concerns about the competence, integrity, ethical values, or diligence of those providing the oral responses or whether the oral responses are otherwise not reliable and the potential effect, if any, on the practitioner's report.</p>
Other Information	Other Information (Ref: par. R38)

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<p>R38. If prior to or after the release of the practitioner’s report on subject matter, the practitioner is willing to permit the inclusion of the practitioner’s report in a document that contains the subject matter and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter or the practitioner’s report. If on reading the other information, in the practitioner’s professional judgment (Ref: par. .R.A43–R.A44)</p> <p style="padding-left: 20px;">a. a material inconsistency between that other information and the subject matter, or the practitioner’s report exists, or</p> <p style="padding-left: 20px;">b. a material misstatement of fact exists in the other information, the subject matter, or the practitioner’s report</p> <p>the practitioner should discuss the matter with the responsible party and take further action as appropriate.</p>	<p>R.A43. Further actions that may be appropriate if the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact include, for example, the following:</p> <ul style="list-style-type: none"> • Requesting the appropriate party(ies) to consult with a qualified third party, such as the appropriate party(ies)’s legal counsel • Obtaining legal advice about the consequences of different courses of action • If required or permissible, communicating with third parties (for example, a regulator) • Describing the material inconsistency in the practitioner’s report • Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation
	<p>R.A44. Other information does not include information contained on the appropriate party(ies)’s website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph .R38.</p>
Description of Criteria	Description of Criteria (Ref: par. R39)
<p>R39. The practitioner should evaluate whether the written description of the subject matter adequately refers to or describes the criteria. (Ref: par. R.A45–R.A46)</p>	<p>R.A45. The description of the criteria on which the subject matter is based is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter.</p>
	<p>R.A46. A description of the criteria that states that the subject matter is prepared in accordance with (or based on) particular criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective.</p>
Forming the Conclusion	Forming the Conclusion (Ref: par. R40–R41)

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<p>R40. The practitioner should form a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria . In forming that conclusion, the practitioner should evaluate</p> <ul style="list-style-type: none"> a. the practitioner’s conclusion regarding the sufficiency and appropriateness of the direct review evidence obtained and (Ref: par. R.A47) b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .R.A48) 	<p>R.A47. The practitioner’s professional judgment regarding what constitutes sufficient appropriate direct review evidence is influenced by such factors as the following:</p> <ul style="list-style-type: none"> • The significance of a potential misstatement and the likelihood that it will have a material effect, individually or aggregated with other potential misstatements, on the subject matter • The effectiveness of the responsible party’s responses to address the known risks • The experience gained during previous examination or review engagements with respect to similar potential misstatements • The results of procedures performed, including whether such procedures identified specific misstatements • The source and reliability of the available information • The practitioner’s understanding of the responsible party and its environment
	<p>R.A48. A direct review engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the review evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the planned procedures were based may come to the practitioner’s attention, for example</p> <ul style="list-style-type: none"> • the extent of the misstatements that the practitioner detects is greater than expected. (This may alter the practitioner’s professional judgment about the reliability of particular sources of information.)

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	<ul style="list-style-type: none"> • the practitioner may become aware of discrepancies in relevant information or conflicting or missing review evidence. • procedures performed toward the end of the engagement may indicate a previously unrecognized risk of material misstatement. In such circumstances, the practitioner may need to reevaluate the planned procedures.
R41. The practitioner should evaluate, based on the direct review evidence obtained, whether the presentation of the subject matter is misleading within the context of the engagement. (Ref: par.R.A49–R.A50)	<p>R.A49. In making the evaluation required by paragraph .R41, the practitioner may consider whether additional disclosures are necessary to describe the subject matter or criteria. Additional disclosures may, for example, include</p> <ul style="list-style-type: none"> • the measurement or evaluation methods used when the criteria allow for choice among methods; • significant interpretations made in applying the criteria in the engagement circumstances; • subsequent events, depending on their nature and significance; and • whether there have been any changes in the measurement or evaluation methods used.
	R.A50. Paragraph .R41 does not require the practitioner to determine whether the presentation discloses all matters related to the subject matter or criteria or all matters users may consider in making decisions based on the presentation.
Preparing the Practitioner’s Report	Preparing the Practitioner’s Report (Ref: par. .R42)
R42. The practitioner’s report should be in writing. (Ref: par.R.A51–R.A52)	R.A51. Oral and other forms of expressing a conclusion can be misunderstood without the support of a written practitioner’s report. For this reason, the practitioner may not report orally or by use of symbols (such as a web seal) under the attestation standards without also providing a written report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written report on the Internet.
	R.A52. This section does not require a standardized format for reporting on all direct review engagements. Instead, it identifies the basic elements that the practitioner’s report is to include. The report is tailored to the specific

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	engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.
Content of the Practitioner’s Report	Content of the Practitioner’s Report
<p>R43. The practitioner’s report should include the following:</p> <p><i>a.</i> A title that includes the word <i>independent</i>. (Ref: par. R.A53)</p> <p><i>b.</i> An appropriate addressee as required by the circumstances of the engagement.</p> <p><i>c.</i> An identification or description of the subject matter being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter relates.</p> <p><i>d.</i> An identification of the criteria against which the subject matter was measured or evaluated. (Ref: par. R.A54)</p> <p><i>e.</i> The following heading above item <i>f</i>: “Responsible Party’s Responsibility.”</p> <p><i>f.</i> A statement that</p> <p style="margin-left: 20px;"><i>i.</i> identifies the responsible party and its responsibility for the subject matter (Ref: par. R.A55)</p> <p style="margin-left: 20px;"><i>ii.</i> indicates that in a direct review engagement, management does not provide a written statement about whether the subject matter is in accordance with (or based on) the criteria</p>	<p><i>Title (Ref: par. R43a)</i> R.A53. A title indicating that the practitioner’s report is the report of an independent practitioner (for example, “Independent Practitioner’s Report,” “Report of Independent Certified Public Accountant,” or “Independent Accountant’s Direct Review Report”) affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner’s report from reports issued by others.</p> <p><i>Criteria (Ref: par. R43d)</i> R.A54. The practitioner’s report may include the criteria or refer to them if they are included in the subject matter presentation or are otherwise readily available.</p> <p><i>Relative Responsibilities (Ref: par. . R43e-h)</i> R.A55. Identifying relative responsibilities informs the intended users that the responsible party is responsible for the subject matter, and the practitioner’s role is to independently express a conclusion about it.</p>

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<p><i>g</i> The following heading above item <i>h</i>: “Practitioner’s Responsibility.”</p> <p><i>h</i>. A statement that . the practitioner is responsible for</p> <p style="margin-left: 20px;"><i>i</i>. measuring or evaluating the subject matter based on the criteria and</p> <p style="margin-left: 20px;"><i>ii</i>. expressing a conclusion on the subject matter , based on the practitioner’s review (Ref: par. R.A55 .)</p> <p><i>i</i>. A statement that</p> <p style="margin-left: 20px;"><i>i</i>. the practitioner’s review was conducted in accordance with the direct engagements attestation standards established by the American Institute of Certified Public Accountants.</p> <p style="margin-left: 20px;"><i>ii</i>. those standards require that the practitioner plan and perform the review to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria (or equivalent language regarding the subject matter and criteria, such as the language used in the examples in paragraph .R.A56)</p> <p style="margin-left: 20px;"><i>iii</i>. a direct review is substantially less in scope than a direct examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, the practitioner does not express such an opinion</p> <p><i>j</i>. .A statement that the practitioner believes the direct review provides a reasonable basis for the practitioner’s conclusion.</p> <p><i>k</i>. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter</p>	<p><i>Statement About the Subject Matter and Criteria (Ref: par. R43i(ii))</i></p> <p>R.A56. The language in paragraph <i>R43i(ii)</i> may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph <i>R43i(ii)</i> include, “to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to</p> <ul style="list-style-type: none"> • be presented in accordance with (or based on) the criteria.” • meet the objectives,” for example, when the objectives are the criteria.

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<p>against the criteria. (Ref: par. R.A57)</p> <p><i>l.</i> The practitioner’s conclusion about whether, based on the direct review, the practitioner is aware of any material modifications that should be made to the subject matter in order for it be in accordance with (or based on) the criteria (Ref: par. .R.A58–R.A59)</p> <p><i>m.</i> The manual or printed signature of the practitioner’s firm.</p> <p><i>n</i> The city and state where the practitioner practices. (Ref: par. R.A60)</p> <p><i>o</i> The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate direct review</p>	<p><i>Inherent Limitations (Ref: par. R43k)</i></p> <p>From CSAE 3001</p> <p>R.A57. While in some cases, inherent limitations can be expected to be well-understood by the intended users of an assurance report, in other cases, it may be appropriate to make explicit reference to them in the assurance report. For example, in an assurance report related to the effectiveness of internal control, it may be appropriate to note that the historic evaluation of effectiveness is not relevant to future periods due to the risk that internal control may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.</p> <p><i>Conclusion (Ref: par. R43l)</i></p> <p>R.A58. A single practitioner’s report may cover more than one aspect of a subject matter . When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter (for example, examination level related to some aspects and review level related to others, or an unmodified conclusion on some aspects and a modified conclusion on others).</p> <p>R.A59. A practitioner may report on subject matter at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner’s report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation of the subject matter or in the report, even if the subject matter for the preceding date or period is not presented.</p>

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<p>evidence on which to base the practitioner’s conclusion, including evidence that</p> <ul style="list-style-type: none"> i. the direct attestation documentation has been reviewed, ii. if applicable, the written presentation of the subject matter has been prepared (Ref: par. R.A61–R.A62) 	<p><i>Location (Ref: par. R43n)</i> R.A60. In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.</p> <p><i>Date (Ref: par. R43o)</i> R.A61. Including the date of the practitioner’s report informs the intended users that the practitioner has considered the effect on the subject matter and on the report of events that occurred up to that date.</p> <p>R.A62. Because the practitioner expresses a conclusion on the subject matter and the subject matter is the responsibility of the responsible party, the practitioner is not in a position to conclude that sufficient appropriate direct review evidence has been obtained until evidence is obtained that all of the elements that the subject matter comprises, including any related notes, when applicable, have been prepared, and the responsible party has accepted responsibility for them.</p>
<p><i>Restricted-Use Paragraph</i></p>	<p><i>Restricted Use Paragraph (Ref: par. R44 and R45b)</i></p>
<p>R44. In the following circumstances, the practitioner’s report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. R.A63–R.A65)</p> <ul style="list-style-type: none"> a. The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria. b. The criteria used to evaluate the subject matter are available only to specified parties. c. The engaging party is not the responsible party, and the responsible party does not provide the written representations required by paragraph .R31, but does provide oral responses to the practitioner’s inquiries about the matters in paragraph . R31, as provided for in 	<p>R.A63. A practitioner’s report for which the conditions in paragraph R44 do not apply need not include an alert that restricts its use. However, nothing in the attestation standards precludes a practitioner from including such an alert in any practitioner’s report or other practitioner’s written communication.</p>

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paragraphs R32 and .R37a. In this case, use of the report should be restricted to the engaging party.	
	R.A64. A practitioner’s report that is required by paragraph R44 to include an alert that restricts the use of the report may be included in a document that also contains a practitioner’s report that is for general use. In such circumstances, the use of the general use report is not affected
	R.A65. A practitioner may also issue a single combined practitioner’s report that includes <ul style="list-style-type: none"> <i>a</i> a practitioner’s report that is required by paragraph .R44 to include an alert that restricts its use, and <i>b</i> a report that is for general use. If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headers, the alert that restricts the use of the report may be limited to the report required by paragraph R44 to include such an alert. In such circumstances, the use of the general use report is not affected
R45. The alert should <ul style="list-style-type: none"> <i>a.</i> state that the practitioner’s report is intended solely for the information and use of the specified parties, <i>b.</i> identify the specified parties for whom use is intended, and (Ref: par. . R.A66) <i>c.</i> state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. R.A67–R.A69R.A64) 	R.A66. The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, “all customers of XYZ Company during some or all of the period January 1, 20XX to December 31, 20XX.” The method of identifying the specified parties is determined by the practitioner.
	R.A67. In some cases, the criteria used to measure or evaluate the subject matter may be `designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory

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	purposes. To avoid misunderstandings, the practitioner alerts users of the practitioner's report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.
	R.A68. The alert that restricts the use of the practitioner's report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the responsible party and, if different, the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the responsible party or, if different, the engaging party, that the intended use of the report will be restricted and may obtain the responsible party's agreement that the responsible party and specified parties will not distribute such report to parties other than those identified therein. A practitioner is not responsible for controlling, and cannot control, distribution of the report after its release.
	R.A69. In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to the restricted-use report in which it is not named as a specified party.
<p>R46. When the engagement is also performed in accordance with <i>Government Auditing Standards</i>, the alert that restricts the use of the practitioner's report should include the following information, rather than the information required by paragraph .R45:</p> <ul style="list-style-type: none"> a. A description of the purpose of the report b. A statement that the report is not suitable for any other purpose 	
Reference to the Practitioner's Specialist	Reference to the Practitioner's Specialist (Ref: par. .R47)
R47. The practitioner should not refer to the work of a practitioner's specialist in the practitioner's report containing an unmodified conclusion.	R.A70. The practitioner has sole responsibility for the conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's specialist.

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(Ref: par. R.A70)	
Modified Conclusions	Modified Conclusions (Ref: par. R48–R50)
<p><i>Misstatement of Subject Matter</i></p> <p>R48. A practitioner who is engaged to perform a direct review engagement may become aware that the subject matter is misstated. If the misstatement is not corrected, the practitioner should consider whether qualification of the conclusion in the standard practitioner’s report is adequate to disclose the misstatement of the subject matter. (Ref: par. R.A71.)</p>	<p>R.A71. A practitioner may issue an unmodified conclusion only when the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that the practitioner considers necessary in the circumstances</p>
<p>R49. When the practitioner qualifies the conclusion, the practitioner should include a separate paragraph in the practitioner’s report that provides a description of the matter(s) giving rise to the qualification.</p>	
<p>R50. The practitioner should express a qualified conclusion when the effects of a matter are material but not pervasive. A qualified conclusion is expressed as being “except for the effects” of the matter to which the qualification relates. When the effects of a matter are material and also pervasive, the practitioner should withdraw from the engagement, when withdrawal is possible under applicable laws and regulations. (Ref: par. R.A72)</p>	<p>R.A72. Pervasive effects on the subject matter are those that, in the practitioner’s professional judgment</p> <ul style="list-style-type: none"> a. are not confined to specific aspects of the subject matter; b. if so confined, represent or could represent a substantial proportion of the subject matter; or c. in relation to disclosures, are fundamental to the intended users’ understanding of the subject matter.
<p>R51. If the practitioner believes that qualification of the conclusion in the standard practitioner’s report is not adequate to indicate the misstatements in the subject matter, the practitioner should withdraw from the engagement.</p>	

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<p>R52. The practitioner’s conclusion on the subject matter should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities.</p>	
<p>R53. When the conclusion is qualified, reference to an external specialist is permitted when such reference is relevant to an understanding of the qualification to the practitioner’s conclusion. The practitioner should indicate in the practitioner’s report that such reference does not reduce the practitioner’s responsibility for that conclusion.</p>	
<p>Scope Limitations</p>	<p><i>Scope Limitations (Ref: par. R54)</i></p>
<p>R54. If the practitioner is unable to obtain sufficient appropriate review evidence, a scope limitation exists. When a scope limitation exists, the practitioner should withdraw from the engagement, when withdrawal is possible under applicable laws and regulations. (Ref: par. .R.A73–R.A75)</p>	<p>R.A73. The procedures performed in a direct review engagement are, by definition, limited compared with those performed in a direct examination engagement. Limitations known to exist prior to accepting a review engagement are a relevant consideration when establishing whether the preconditions for a direct review engagement are present, in particular, whether the practitioner expects to be able to obtain the evidence needed to arrive at the practitioner’s conclusion. (See section CC27b(iii) If a further limitation is imposed by the appropriate party(ies) after a direct review engagement has been accepted, it may be appropriate to withdraw from the engagement, when withdrawal is possible under applicable laws and regulations.</p> <p>4 Paragraph CC27b(iii) , <i>Concepts Common to All Direct Engagements</i>.</p>
	<p>R.A74. The inability to obtain written representations from the responsible party ordinarily would result in a scope limitation. However, when the engaging party is not the responsible party, paragraph EX 49 enables the practitioner to make inquiries of the responsible party, and if the responsible party’s oral responses enable the practitioner to conclude that the practitioner has sufficient appropriate review evidence to form a conclusion about the subject matter, paragraph R37a indicates that this would not cause a scope limitation. Further, paragraph . R37a requires that the practitioner’s report, in these circumstances, contain an alert paragraph that restricts the use of the</p>

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	report to the engaging party.
	R.A75. An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate review evidence by performing alternative procedures
Communication Responsibilities	Communication Responsibilities (Ref: par. R55)
R55. The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, as well as uncorrected misstatements. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. R.A76)	R.A76. Other matters that may be appropriate to communicate to the responsible party or, if different, the engaging party, include deficiencies in internal control identified during the engagement, or bias in the measurement, evaluation, or disclosure of the subject matter.
Documentation	Documentation (Ref: par. R56)
R56. The practitioner should prepare engagement documentation that is sufficient to determine (Ref: par. R.A77–R.A80) <ul style="list-style-type: none"> a. the nature, timing, and extent of the procedures performed to comply with this section and applicable legal and regulatory requirements, including <ul style="list-style-type: none"> i. the identifying characteristics of the specific items or matters tested; ii. who performed the engagement work and the date such work was completed; iii. the discussions with the responsible party or others about findings or issues that, in the practitioner’s professional judgment, are significant, including the nature of the significant findings or issues discussed, and when and with whom the discussions took place; iv. when the engaging party is the responsible party and the responsible party will not provide one or more of the requested 	R.A77. Documentation includes a record of the practitioner’s reasoning on all significant findings or issues that require the exercise of professional judgment and related conclusions. The existence of difficult questions of principle or professional judgment calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.

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<p>written representations; the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations; or that the written representations are otherwise not reliable, the matters in paragraph R36;</p> <p>v. when the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph .R31, the oral responses from the responsible party to the practitioner’s inquiries regarding the matters in paragraph R31, in accordance with paragraph R32; and</p> <p>vi. who reviewed the engagement work performed and the date and extent of such review.</p> <p>b. the results of the procedures performed and the direct review evidence obtained.</p>	
<p>R57. If the practitioner identified information that is inconsistent with the practitioner’s final conclusion regarding a significant finding or issue, the practitioner should document how the practitioner addressed the inconsistency.</p>	<p>R.A78. It is neither necessary nor practical to document every matter considered, or professional judgment made, during an engagement. Further, it is unnecessary for the practitioner to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included in the engagement file. Similarly, the practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.</p>
<p>R58. If, in circumstances such as those described in paragraph .R30, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner’s report, the practitioner should document</p> <p>a. the circumstances encountered;</p> <p>b. the new or additional procedures performed, evidence obtained, and conclusions reached and their effect on the report; and</p>	<p>R.A79. In applying professional judgment to assess the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an experienced practitioner, having no previous connection with the engagement, with an understanding of the work performed and the basis of the principal decisions made.</p>

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<p>c. when and by whom the resulting changes to the documentation were made and reviewed.</p>	<p>R.A80. Documentation ordinarily includes a record of</p> <ul style="list-style-type: none"> • issues identified with respect to compliance with relevant ethical requirements and how they were resolved. • conclusions on compliance with independence requirements that apply to the engagement and any relevant discussions with the firm that support these conclusions. • conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements. • the nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement.

Illustrative Direct Examination Report

Independent Accountant's Report

[*Appropriate Addressee*]

We have examined [*identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*] to determine whether the [*identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*] is in accordance with (or based on) the criteria [*identify the criteria, for example, the ABC criteria set forth in Note I*]. I

Responsible Party's Responsibility for the Subject Matter

XYZ Company's management is responsible for [*identify the subject matter, for example, the schedule of investment returns*]. In a direct engagement, management does not provide a written statement about whether [*identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*] is in accordance with (or based on) the [*identify the criteria, for example, the ABC criteria set forth in Note 1*].

Accountant's Responsibility

Our responsibility is to measure or evaluate whether the [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with (or based on) [*identify the criteria, for example, the ABC criteria set forth in Note 1*] and to express an opinion, based on our examination.

Our examination was conducted in accordance with the direct engagement attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with (or based on) the criteria, in all material respects. An examination involves performing procedures to obtain evidence about [*identify the subject matter, for example, the schedule of investment returns*]. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of [*identify the subject matter, for example, the schedule of investment returns*], whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

[*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria.*]

[*Additional paragraph(s) may be added to emphasize certain matters related to the attestation engagement or the subject matter or to describe identified findings or exceptions*]

In our opinion, [*identify the subject matter, for example, the schedule of investment returns of XYZ Company for the year ended December 31, 20XX or the schedule of investment returns referred to above*], is presented in accordance with (or based on) [*identify the criteria, for example, the ABC criteria set forth in Note 1*], in all material respects.

[*Practitioner's signature*]

[Practitioner's city and state]

[Date of practitioner's report]

Illustrative Direct Review Report

Independent Accountant's Review Report

[Appropriate Addressee]

We have reviewed *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]* to determine whether any material modifications should be made to *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*, in order for it be in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note 1]*.

Management's Responsibility for the Subject Matter

XYZ Company's management is responsible for *[identify the subject matter, for example, the schedule of investment returns]*. In a direct engagement, management does not provide a written statement about whether *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]* is in accordance with (or based on) the *[identify the criteria, for example, the ABC criteria set forth in Note 1]*.

Accountant's Responsibility

Our responsibility is to measure (or evaluate) whether the *[identify the subject matter, for example, the schedule of investment returns]* is in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note 1]* and to express a conclusion, based on our review.

Our review was conducted in accordance with the direct engagement attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to *[identify the subject*

matter, for example, the schedule of investment returns] in order for it to be in accordance with (or based on) the criteria. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

[Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria.]

[Additional paragraph(s) may be added to emphasize certain matters relating to the attestation engagement or the subject matter.]

Based on our review, we are not aware of any material modifications that should be made to [*identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*], in order for it be in accordance with (or based on) [*identify the criteria, for example, the ABC criteria set forth in Note 1*]