

Agenda Item 4B



**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements*, of the Exposure Draft
Revisions to SSAE No. 18, Attestation Standards: Clarification and Recodification
(Marked from the Draft Presented at the May 20-23, 2019 ASB Meeting)**

Proposed AT-C Section 105, <i>Concepts Common to All Attestation Engagements</i>	
Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
Introduction <p>.01 This section applies to engagements in which a CPA in the practice of public accounting is engaged to issue, or does issue, a practitioner's examination <u>or</u>, review, <u>or agreed upon procedures</u> report on subject matter or <u>on</u> an assertion about subject matter (hereinafter referred to as an assertion) <u>that is the responsibility of another party or an agreed-upon procedures report</u>. <u>Paragraph .A1 provides examples of subject matter</u>. (Ref: par. .A1)</p> <p>Revised to reflect the ASB's conclusion that assertions are not applicable to AUP engagements</p> <p>.02 The purpose of an examination or review attestation engagement is to provide users of information with an opinion or conclusion regarding subject matter or an assertion about the subject matter, as measured against suitable and available criteria. (An examination engagement results in an</p>	Introduction (Ref: par. .01) <p>.A1 The subject matter of an attestation engagement may take many forms, including the following:</p> <ul style="list-style-type: none">a. <u>Historical or prospective</u> performance or condition, for example, <u>revenue in a future period</u><u>historical or prospective financial information, performance measurements, and backlog data</u>b. Physical characteristics, for example, <u>narrative descriptions or square footage of the dimensions of a facility</u>c. Historical events <u>or conditions</u>, for example, the price of a market basket of goods on a certain dated. <u>Analyses, for example, break even analyses</u>e. Systems and processes, for example, <u>an entity's system of internal control</u>f. Behavior, for example, <u>an entity's corporate governance</u>,

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<p>opinion, and a review engagement results in a conclusion.) The purpose of an agreed-upon procedures attestation engagement is to provide users of information with the results of procedures performed by the practitioner on subject matter. An agreed-upon procedures engagement results in findings.</p>	<p>compliance with laws and regulations, and human resource practices</p> <p>The subject matter may be as of a point in time or for a period of time.</p>
<p>.03 Attestation engagements include both those in which a party other than the practitioner measures or evaluates the subject matter against the criteria and those in which only the practitioner measures or evaluates the subject matter against the criteria. This section may be applied to attestations engagements in which only the practitioner has measured or evaluated the subject matter against the criteria by adapting and supplementing the attestation standards as necessary in the engagement circumstances.</p> <p>Deleted this paragraph because this draft will not specifically recognize engagements in which only the practitioner measures or evaluates the subject matter against the criteria.</p>	
<p>.04.03 This section is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with the following: (Ref: par. .A2)</p> <ul style="list-style-type: none"> a. Statements on Auditing Standards b. Statements on Standards for Accounting and Review Services c. Statements on Standards for Tax Services d. Statements on Standards for Consulting Services, including litigation services that involve pending or potential legal or regulatory proceedings before a trier of fact (Ref: par. .A3) 	<p>.A2 A2—Because performance audits performed pursuant to <i>Government Auditing Standards</i> do not require a practitioner's examination, review, or agreed-upon procedures 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 attestation engagement or issues such an examination, review, or agreed-upon procedures report.</p> <p>.A3 Examples of litigation services include the following circumstances:</p> <ul style="list-style-type: none"> a. The service comprises being an expert witness.

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	<ul style="list-style-type: none"> 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.
.05.04 An attestation engagement may be part of a larger engagement, for example, a feasibility study or business acquisition study that also includes an examination of prospective financial information. In such circumstances, the attestation standards apply only to the attestation portion of the engagement.	
Compliance With the Attestation Standards	
.06.05 The "Compliance With Standards Rule" (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.	
Relationship of Attestation Standards to Quality Control Standards	Relationship of Attestation Standards to Quality Control Standards (Ref: par. .06)
.07.06 Quality control systems, policies, and procedures are the responsibility of the firm in conducting its attestation practice. Under QC	.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

* All ET sections can be found in AICPA *Professional Standards*.

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<p>section 10, <i>A Firm's System of Quality Control</i>,[†] the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that¹ (Ref: par..A4–.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>practice, its organization, and appropriate cost-benefit considerations.</p> <p>.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 attestation 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>.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>.08.07 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>	
Effective Date	

[†] QC sections can be found in AICPA *Professional Standards*.

¹ Paragraph .12 of QC section 10, *A Firm's System of Quality Control*.

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.09.08 If issued as final, this section will be effective for practitioners' reports dated on or after July 15, 2021. [‡] Early implementation is not permitted.	
Objectives	
.10.09 In conducting an attestation engagement, the overall objectives of the practitioner are to do the following: <ol style="list-style-type: none"> Apply the requirements relevant to the attestation engagement. <u>In an examination or review engagement, Report on the subject matter or assertion, and in an agreed-upon procedures engagement, report the practitioner's procedures and findings, and</u> Ceomunicate as required by the applicable AT-C section, in accordance with the results of the practitioner's procedures. 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. 	
Definitions	Definitions
.11.10 For purposes of the attestation standards, the following terms have the meanings attributed as follows: <p>Assertion. Any declaration or set of declarations about whether the subject matter is in accordance with (or based on) the criteria.</p>	

[‡] This proposed effective date is provisional but will not be earlier than May 1, 2020.

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<p>Attestation engagement. An examination, review, or agreed-upon procedures engagement performed under the attestation standards related to subject matter, or an examination or review engagement related to an assertion, performed under the attestation standards that is the responsibility of another party. The following are the three types of attestation engagements:</p> <p>a. Examination engagement. An attestation 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 or the assertion is fairly stated, in all material respects. (Ref: par. .A7)</p> <p>b. Review engagement. An attestation 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 or to the assertion in order for it to be fairly stated. (Ref: par.A8–.A9.)</p>	<p>Examination Engagement (Ref: par. <u>.10-.11</u>)</p> <p>.A7 A7—The practitioner obtains the same level of assurance in an examination engagement as the practitioner does in a financial statement audit.</p> <p>Review Engagement (Ref: par. <u>.10-.11</u>)</p> <p><i>The Nature, Timing, and Extent of Procedures</i></p> <p>.A8 A8 Because the level of assurance obtained in a review engagement is lower than in an examination engagement, the procedures the practitioner performs in a review engagement vary in nature and timing from, and are less in extent than, the procedures for an examination. The primary differences between the procedures for a review engagement and an examination include the following:</p> <p>a. The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the</p>

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	<p>engagement circumstances. For example, the practitioner may judge it to be appropriate in the circumstances of a particular review engagement to place relatively greater emphasis on inquiries of the entity's personnel and analytical procedures, and relatively less emphasis, if any, on testing of controls and obtaining evidence from external sources than may be the case for an examination.</p> <ul style="list-style-type: none"><li data-bbox="1136 584 2021 763">b. In a review engagement, the practitioner may select fewer items to be subjected to the procedures or perform fewer procedures (for example, performing only analytical procedures in circumstances in which, in an examination, both analytical procedures and other procedures would be performed).<li data-bbox="1136 768 2021 1013">c. In an examination, analytical procedures performed in response to the attestation risk may involve developing expectations that are sufficiently precise to identify material misstatements. In a review engagement, analytical procedures may be designed to test expectations regarding the direction of trends, relationships, and ratios, rather than to identify misstatements with the level of precision expected in an examination.<li data-bbox="1136 1018 2021 1165">d. When significant fluctuations, relationships, or differences are identified, appropriate evidence in a review engagement may be obtained by making inquiries and considering responses received in the light of known engagement circumstances.<li data-bbox="1136 1170 2021 1377">e. When undertaking analytical procedures in a review engagement, the practitioner may, for example, use data that is more highly aggregated, such as quarterly data, rather than monthly data, or use data that has not been subjected to procedures to test its reliability to the same extent as it would be for an examination.

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<p>c. Agreed-upon procedures engagement. An attestation engagement in which a practitioner performs specific procedures on subject matter and reports the findings without providing an opinion or a conclusion on it.</p> <p>Attestation risk. In an examination or review engagement, the risk that the practitioner expresses an inappropriate opinion or conclusion, as applicable, when the subject matter or assertion is materially misstated. (Ref: par. .A10-.A16 .A9-.A15)</p>	<p>.A9 A8. The practitioner obtains the same level of assurance in a review engagement performed in accordance with the attestation standards as the practitioner does in a review of financial statements.</p> <p>Attestation Risk (Ref: par. .10H)</p> <p>.A10 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 or assertion reported on.</p> <p>.A11 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 i. the risk that a material misstatement that could occur in the subject matter will not be prevented, or detected and

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	<p>corrected, on a timely basis by the <u>appropriate responsible</u> party's internal control (control risk)</p> <p>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> <p>.A12 <u>A12</u> The degree to which each of these components of attestation risk is relevant to the engagement is affected by the engagement circumstances, in particular, the following:</p> <ul style="list-style-type: none">• The nature of the subject matter or assertion (For example, the concept of control risk may be more useful when the subject matter or assertion 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 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 an examination engagement on the same subject matter or assertion.) <p>.A13 <u>A12</u> The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.</p> <p>.A14 <u>A13</u> In an 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</p>

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<p>Criteria. In an examination or review <u>engagement</u>, the benchmarks used to measure or evaluate the subject matter. (Ref: par. .A17.<u>A16</u>)</p>	<p>attestation risk to zero is not contemplated in an 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>.A15 <u>A14</u> In a review engagement, attestation risk is greater than it is in an examination engagement. The types of procedures performed to obtain limited assurance are less extensive than they are in an examination engagement.</p> <p>.A16 <u>A15</u> Attestation risk is not applicable to an agreed-upon procedures engagement because, in such engagements, the practitioner performs specific procedures on subject matter or an assertion and reports the findings without providing an opinion or conclusion.</p> <p>Criteria (Ref: par. <u>.10-.14</u>)</p> <p>.A17 <u>A16</u> Suitable criteria are required for reasonably consistent measurement or evaluation of subject matter. 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</p>

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<p>Documentation completion date. The date on which the practitioner has assembled for retention a complete and final set of documentation in the engagement file.</p> <p>Engagement circumstances. The broad context defining the particular engagement, which includes the terms of the engagement; whether it is an examination, review, or agreed-upon procedures engagement; the characteristics of the subject matter; the criteria in an examination or review engagement;⁵ 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.</p> <p>Engagement documentation. The record of procedures performed, relevant evidence obtained, and, in an examination or review engagement, conclusions reached by the practitioner, or, in an agreed-</p>	engagement circumstances. Even for the same subject matter, there can be different criteria, which will yield a different measurement or evaluation. For example, one party might select the number of customer complaints resolved to the acknowledged satisfaction of the customer <u>as the criteria</u> for <u>evaluating</u> the subject matter of customer satisfaction; another 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 an examination engagement, they are also unsuitable for a review engagement and vice versa.

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<p>upon procedures engagement, findings of the practitioner. (Terms such as <i>working papers</i> or <i>workpapers</i> are also sometimes used).</p> <p>Engagement partner. The partner or other person in the firm who is responsible for the attestation 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</i>, <i>partner</i>, and <i>firm</i> refer to their governmental equivalents when relevant.</p> <p>Engagement team. All partners and staff performing the engagement and any individuals engaged by the firm or a network firm who perform attestation procedures on the 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.</p> <p>Engaging party. The party that engages the practitioner to perform the attestation engagement. (Ref: par. <u>0.</u>A18)</p> <p>Evidence. Information used by the practitioner in arriving at the opinion, conclusion, or findings on which the practitioner's report is based.</p> <p>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.</p>	
	<p>Engaging Party (Ref: par. 10-11)</p> <p>.A18 A17 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.</p>

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Fraud. An intentional act involving the use of deception that results in a misstatement in the subject matter or the assertion.	
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.	
Interpretive publications. Interpretations of the Statements on Standards for Attestation Engagements (SSAEs), exhibits to SSAEs, guidance on attestation engagements included in AICPA audit and accounting guides, and AICPA attestation Statements of Position, to the extent that those statements are applicable to such engagements.	
Misstatement. In an examination or review engagement, a difference between the measurement or evaluation of the subject matter and the appropriate measurement or evaluation of the subject matter in accordance with (or based on) the criteria. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions. In certain engagements, a misstatement may be referred to as a <i>deviation, exception, or instance of noncompliance</i> .	
Network firm. A firm or other entity that belongs to a network, as defined in the "Definitions" section (ET sec. 0.400) of the AICPA Code of Professional Conduct.	

^{||} Attestation Statements of Position are codified in the AUD sections in AICPA *Professional Standards*.

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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 attestation publications. 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 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 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 an AT-C section expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term <i>engagement partner</i> , rather than	

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<p><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.</p> <p>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.</p> <p>Professional judgment. The application of relevant training, knowledge, and 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.</p> <p>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.</p> <p>Reasonable assurance. A high, but not absolute, level of assurance.</p> <p>Report release date. The date on which the practitioner grants the engaging party permission to use the practitioner's report.</p> <p>Responsible party. The party responsible for the subject matter, which is a party other than the practitioner.</p>	

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Specified party. The intended users to whom use of the written practitioner's report is limited.	<u>Subject Matter Information and Subject Matter (Ref: par. .11)</u> <u>.A19 .A19</u> The outcome of the measurement or evaluation of a subject matter is the information that results from applying the criteria to the subject matter. For example:
<u>Subject matter information. The outcome of the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A19)</u>	<ul style="list-style-type: none"> ■ The financial statements (outcome) result from measuring an entity's financial position, financial performance and cash flows (subject matter) by applying a financial reporting framework (criteria).
<u>Subject matter. The phenomenon that is measured or evaluated by applying criteria. (Ref: par. .A19)</u>	<ul style="list-style-type: none"> ■ A statement about the effectiveness of internal control (outcome) results from evaluating the effectiveness of an entity's internal control process (subject matter) by applying relevant criteria.
	<ul style="list-style-type: none"> ■ Entity specific performance measures (outcome) result from measuring various aspects of performance (subject matter) by applying relevant measurement methodologies (criteria).
	<ul style="list-style-type: none"> ■ A greenhouse gas statement (outcome) results from measuring an entity's greenhouse emissions (subject matter) by applying recognition, measurement and presentation protocols (criteria).
	<ul style="list-style-type: none"> ■ A statement about compliance (outcome) results from evaluating the compliance of an entity (subject matter) with, for example, law and regulation (criteria).
	<p>The term <i>subject matter information</i> is used to mean the outcome of the measurement or evaluation of a subject matter against the criteria. It is the subject matter information about which the practitioner gathers sufficient appropriate evidence as the basis for the practitioner's conclusion</p>
<u>.12.11</u> For the purposes of the attestation standards, references to the	<u>Appropriate Party (Ref: par. .11.12)</u>

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<i>appropriate party</i> should be read hereafter as the responsible party, the engaging party, or both, as appropriate. (Ref: par. A19 A20)	.A20. A19. A20 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 attestation standards to specify for all engagements the person or persons 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 an Attestation Engagement in Accordance With the Attestation Standards	Conduct of an Attestation Engagement in Accordance With the Attestation Standards
Complying With AT-C Sections That Are Relevant to the Engagement	<i>Complying With AT-C Sections That Are Relevant to the Engagement</i> (Ref: par. .14)
.12 When performing an attestation engagement, the practitioner should comply with the following: <ol style="list-style-type: none"> This section AT-C section 205, <i>Examination Engagements</i>, AT-C section 210, <i>Review Engagements</i>, or AT-C section 215, <i>Agreed-Upon Procedures Engagements</i>, as applicable Any subject matter AT-C section relevant to the engagement when the AT-C section is in effect and the circumstances addressed by the AT-C section exist 	
.13 The practitioner should not represent compliance with this or any other AT-C section unless the practitioner has complied with the	

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requirements of this section and all other AT-C sections relevant to the engagement.	
.14 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 attestation standards. (Ref: par. <u>A20</u> – <u>A21</u> – <u>A21</u> – <u>A22</u>)	<p><u>A21</u>–<u>A20</u>–<u>A21</u> 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 examination, review, or agreed-upon procedures attestation 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 attestation standards.</p> <p><u>A22</u>–<u>A21</u>–<u>A22</u> Paragraph .14. does not prohibit combining reports issued by a practitioner under the attestation standards with reports issued under other professional standards.</p>
<i>Text of an AT-C Section</i>	<i>Text of an AT-C Section (Ref: par. .15)</i>
.15 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. <u>A22</u> – <u>A23</u> – <u>A27</u> – <u>A28</u>)	<p><u>A23</u>–<u>A22</u>–<u>A23</u> 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><u>A24</u>–<u>A23</u>–<u>A24</u> 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 and subject matter information of the AT-C section• The context in which the AT-C section is set <p>.A25.A24 <ins>A25</ins>—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> <ol style="list-style-type: none">a. explain more precisely what a requirement means or is intended to cover andb. 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. It does not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in applicable AT-C sections.</p> <p>.A26.A25 <ins>A26</ins> The practitioner is required by paragraph 15<ins>45</ins> 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>.A27.A26 <ins>A27</ins> An AT-C section may include, in a separate section</p>

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	<p>under the heading "Definitions," 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>A28.A27.A28 Appendixes form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related AT-C section or within the title and introduction of the appendix itself.</p>
Complying With Relevant Requirements	Complying With Relevant Requirements (Ref: par. .16)
<p>.16 Subject to paragraph <u>20.21</u>, the practitioner should comply with each requirement of the AT-C sections that is relevant to the engagement being performed, including any relevant subject matter AT-C section, unless, in the circumstances of the engagement, either of the following applies:</p> <ul style="list-style-type: none"> a. The entire AT-C section is not relevant. b. The requirement is not relevant because it is conditional, and the condition does not exist. 	
<p>.17 When a practitioner undertakes an attestation 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 AT-C sections. (Ref: par. <u>A28.A29</u>)</p>	<p>A29.A28.A29 In certain attestation engagements, the practitioner may also be required to comply with other requirements, such as in law or regulation, 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</p>

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	attestation standards.
<i>Practitioner's Report Prescribed by Law or Regulation</i>	<i>Practitioner's Report Prescribed by Law or Regulation (Ref: par. .18)</i>
.18 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. .A29 - .A30)	.A30 .A29 - .A30 Some report forms can be made acceptable by inserting additional wording to include the elements required by AT-C sections 205, 210, and 215. ² 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 Attestation Standards</i>	
.19 The attestation standards use the following two categories of professional requirements, identified by specific terms, to describe the degree of responsibility they impose 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 attestation standards use the word <i>must</i> to indicate an unconditional requirement. • <i>Presumptively mandatory requirements</i>. The practitioner must comply with a presumptively mandatory requirement in all cases in which such a requirement is relevant, except in rare circumstances

² Paragraphs .62-.65 of AT-C section 205, *Examination Engagements*, paragraphs .46-.49 of AT-C section 210, *Limited Assurance Engagements*, and paragraphs [.34](#)[.32](#)-[.33](#) of AT-C section 215, *Agreed-Upon Procedures Engagements*.

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discussed in paragraph .20-.21 . The attestation standards use the word <i>should</i> to indicate a presumptively mandatory requirement.	
Departure From a Relevant Requirement	Departure From a Relevant Requirement (Ref: par .20)
.20 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 engagement, that procedure would be ineffective in achieving the intent of the requirement. (Ref: par. .A30-.A31)	.A31-.A30 .A31 Paragraph .43-.44 prescribes documentation requirements when the circumstances described in paragraph .20-.21 occur.
Interpretive Publications	Interpretive Publications (Ref: par. .21)
.21 The practitioner should consider applicable interpretive publications in planning and performing the attestation engagement. (Ref: par. .A31-.A32 .)	.A32-.A31 .A32 Interpretive publications 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.
Other Attestation Publications	Other Attestation Publications (Ref: par. .22)
.22 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 attestation engagement. (Ref: par. .A32-.A33-.A34-.A35)	.A33-.A32 .A33 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.

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	<p>A34.<u>A33</u> A34 Although the practitioner determines the relevance of these publications in accordance with paragraph <u>.22.</u>.23, 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."</p> <p>A35.<u>A34</u> A35 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>
Acceptance and Continuance	
<p>.23 The engagement partner should be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and attestation engagements have been followed and should determine that conclusions reached in this regard are appropriate.</p>	
Preconditions for an Attestation Engagement	<p>Preconditions for an Attestation Engagement (Ref: par. .24–.25)</p> <p>.24 The practitioner must be independent when performing an attestation engagement in accordance with the attestation standards unless the practitioner is required by law or regulation to accept the engagement and report on the subject matter or assertion. (Ref: par.<u>.A35.</u>.A36–<u>.A36.</u>.A37)</p> <p>.A36.<u>A35</u> .A36 The "Independence Standards for Engagements Performed in Accordance With Statements on Standards for Attestation Engagements" subtopic (ET sec. 1.297) of the "Independence Rule" (ET sec. 1.200.001) establishes special requirements for independence for services provided under the attestation standards. In addition, the "Conceptual Framework for Independence" interpretation (ET sec. 1.210.010) under the "Independence Rule" discusses threats to</p>

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	<p>independence not specifically detailed elsewhere.</p> <p>A37.A36.A37 When a member performs nonattest services for an attest client (for example, preparation of the subject matter information), self-review, management participation, or advocacy threats to the member's compliance with the "Independence Rule" may exist. When significant independence threats exist during the period of the attestation engagement or the period covered by the attestation engagement, independence will be impaired unless the threats are reduced to an acceptable level and any requirements included in the interpretations under the "Nonattest Services" subtopic (ET sec. 1.295) of the "Independence Rule" have been met.</p>
<p>.25 In order to establish that the preconditions for an attestation engagement are present, the practitioner should, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate party, determine the following:</p> <ul style="list-style-type: none"> a. Whether the roles and responsibilities of the appropriate parties are suitable in the circumstances (Ref: par. A37-A38-A38A39) b. Whether the responsible party is a party other than the practitioner and takes responsibility for the subject matter being in accordance with (or based on) the criteria, or if only the practitioner has measured or evaluated the subject matter against the criteria, takes 	<p>Roles and Responsibilities (Ref: par. .25.)</p> <p>A38.A37-A38 All attestation engagements have an engaging party, a responsible party, the practitioner, and intended users. In some attestation engagements, the engaging party is different from the responsible party.</p> <p>A39.A38 A39 The responsible party may acknowledge its responsibility for the subject matter or for the written assertion as it relates to the objective of the engagement in a number of ways, for example, in an engagement letter, a representation letter, or the</p>

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<p>responsibility for the subject matter. (Ref: par. <u>.A38-.A39-</u> <u>.A39-.A40</u>)</p> <p>c. Whether the engagement exhibits all the following characteristics:</p> <ol style="list-style-type: none">The subject matter is appropriate. (Ref: par. <u>.A40-.A41-</u> <u>.A45-.A46</u>)	<p>presentation of the subject matter, including the notes thereto, or the written assertion. Examples of other evidence of the responsible party's responsibility for the subject matter include reference to legislation, a regulation, or a contract.</p> <p><u>.A40-.A39-.A40</u> Evidence that the appropriate relationship exists with respect to responsibility for the subject matter may be obtained through an acknowledgment provided by the responsible party. Such an acknowledgment also establishes a basis for a common understanding of the responsibilities of the responsible party and the practitioner. A written acknowledgment is the most appropriate form of documenting the responsible party's understanding. In the absence of a written acknowledgment of responsibility, it may still be appropriate for the practitioner to accept the engagement if, for example, other sources, such as legislation or a contract, indicate responsibility. In other cases, it may be appropriate to decline the engagement depending on the circumstances or disclose the circumstances in the attestation report. (Ref: par. .25b)</p> <p><i>Appropriateness of Subject Matter (Ref: par. .25ci)</i></p> <p><u>.A41-.A40-.A41</u> An element of the appropriateness of subject matter is the existence of 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.</p> <p><u>.A42-.A41-.A42</u> An appropriate subject matter</p>

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	<ul style="list-style-type: none">a. is identifiable and capable of consistent measurement or evaluation against the criteria andb. can be subjected to procedures for obtaining sufficient appropriate evidence to support an opinion, conclusion, or findings, as appropriate. <p>A43.A42.A43 If the subject matter is not appropriate for an examination engagement, it also is not appropriate for a review engagement.</p> <p>A44.A43.A44 Different subject matters have different characteristics, including the degree to which information about them is qualitative versus quantitative, objective versus subjective, historical versus prospective, and relates to a point in time or covers a period of time. Such characteristics affect the following:</p> <ul style="list-style-type: none">a. Precision with which the subject matter can be measured or evaluated against criteriab. The persuasiveness of available evidence <p>A45.A44.A45 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.</p> <p>A46.A45.A46 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</p>

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<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. <u>A46</u>.<u>A47</u>.<u>A56</u>.<u>A57</u>)</p>	<p>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 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><i>Suitable and Available Criteria (Ref: par. .25cii)</i></p> <p><u>A47</u>.<u>A46</u>.<u>A47</u> Suitable criteria exhibit all 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. <p>The relative importance of each characteristic to a particular engagement is a matter of professional judgment.</p> <p><u>A48</u>.<u>A47</u>.<u>A48</u> Criteria can be developed in a variety of ways. For example, they may be</p>

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	<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.• specifically designed for the purpose of measuring, <u>or</u> evaluating, or disclosing the subject matter or assertion 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>.A49.<u>A48</u>.A49 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>.A50.<u>A49</u>.A50 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>.A51.<u>A50</u>.A51 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</p>

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	<p>whether such criteria are suitable is based on the characteristics described in paragraph A46-A48.</p> <p>A52.A51 A52 Regardless of who establishes or develops the criteria, the responsible party or the engaging party is responsible for selecting the criteria, and the engaging party is responsible for determining that such criteria are appropriate for its purposes.</p> <p>A53.A52 A53 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>A54.A53 A54 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 effectiveness of internal control. Specific users may, however, develop a more detailed set of criteria that meet their specific information needs.</p> <p>A55.A54 A55 If criteria are specifically designed for the purpose of measuring, evaluating, or disclosing the subject matter or assertion in the particular circumstances of the engagement, they are not suitable if they result in subject matter information, an assertion, or a practitioner's</p>

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	<p>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 acknowledgment may affect what is to be done to assess the suitability of the criteria and the information provided about the criteria in the report.</p> <p>.A56.A55<ins>A56</ins> 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:</p> <ul style="list-style-type: none">a. Publiclyb. Through inclusion in a clear manner in the presentation of the subject matterc. Through inclusion in a clear manner in the practitioner's reportd. By general understanding, for example, the criterion for measuring time in hours and minutese. 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 <p>.A57.A56<ins>A57</ins> When criteria are available only to specified parties, AT-C sections 205 and, 210, and 215 require a statement restricting the use of the practitioner's report.³</p> <p><i>Access to Evidence (Ref: par. .25ciii)</i></p>

³ Paragraph .63b of AT-C section 205 and paragraph .33c of AT-C section 210.

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<p>iii. The practitioner expects to be able to obtain the evidence needed to arrive at the practitioner's opinion, conclusion, or findings, including (Ref: par. <u>A57</u>.<u>A58</u>–<u>A58</u>.<u>A59</u>)</p> <ul style="list-style-type: none"> (1) access to all information of which the responsible party is aware that is relevant to the measurement, evaluation, or disclosure of the subject matter; (2) access to additional information that the practitioner may request from the responsible party for the purpose of the engagement; and (3) unrestricted access to persons within the appropriate party from whom the practitioner determines it necessary to obtain evidence. <p>iv. The practitioner's opinion, conclusion, or findings will be included in a written practitioner's report in a form appropriate to the engagement.</p>	<p><u>A58</u>.<u>A57</u>.<u>A58</u> 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 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 to accept the engagement.</p> <p><u>A59</u>.<u>A58</u>.<u>A59</u> The quantity or quality of available evidence is affected by both of the following:</p> <ul style="list-style-type: none"> 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 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 or engaging party
.26 If the preconditions in paragraphs <u>.24</u> . <u>.25</u> – <u>.25</u> . <u>.26</u> are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue.	
.27 The practitioner should accept an attestation engagement only when the following apply:	

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<ul style="list-style-type: none"> a. The practitioner has no reason to believe that relevant ethical requirements, including independence, will not be satisfied. b. The practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph <u>.31-.32</u>). c. The practitioner has determined that the engagement to be performed meets all the preconditions for an attestation engagement (see also paragraphs <u>.24-.25</u>–<u>.25-.26</u>). d. The practitioner has reached a common understanding with the engaging party of the terms of the engagement, including the practitioner's reporting responsibilities. 	
<p>.28 If it is discovered after the engagement has been accepted that one or more of the preconditions for an attestation engagement are not present, the practitioner should discuss the matter with the appropriate party and should determine the following:</p> <ul style="list-style-type: none"> a. Whether the matter can be resolved b. Whether it is appropriate to continue with the engagement c. If the matter cannot be resolved but it is still appropriate to continue with the engagement, whether to communicate the matter in the practitioner's report, and if the matter is to be communicated in the practitioner's report, how to do so 	
Acceptance of a Change in the Terms of the Engagement	Acceptance of a Change in the Terms of the Engagement (Ref: par. .29)
<p>.29 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.</p>	<p><u>.A60.</u><u>A59</u> <u>.A60</u> 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</p>

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<u>.A59.</u> <u>.A60.</u> <u>.A60.</u> <u>.A61)</u>	<p>engagement to a consulting engagement or from an examination engagement to a 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 an examination to a review engagement 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><u>.A61.</u><u>.A60.</u><u>.A61</u> 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>.30 If the practitioner concludes, based on the practitioner's professional judgment, that there is reasonable justification to change the terms of the engagement from the original level of service that the practitioner was engaged to perform to a lower level of service, for example, from an examination to a review engagement, and if the practitioner complies with the AT-C sections applicable to the lower level of service, the practitioner should issue an appropriate practitioner's report on the lower level of service. The report should not include reference to</p> <ol style="list-style-type: none"> the original engagement, any procedures that may have been performed, or scope limitations that resulted in the changed engagement. 	
Using the Work of an Other Practitioner	Using the Work of an Other Practitioner (Ref: par. .31)
.31 When the practitioner expects to use the work of an other practitioner,	<u>.A62.</u> <u>.A61.</u> <u>.A62</u> The practitioner is responsible for

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<p>the practitioner should do the following: (Ref: par. A61.A62–A62.A63)</p> <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. 	<p><i>a.</i> 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 <i>b.</i> determining whether the practitioner's report that is issued is appropriate in the circumstances.</p> <p>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 or assertion.</p> <p>A63.A62 .A63 The engagement partner may decide to assume responsibility for the work of the other practitioner or 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>
Quality Control	Quality Control
<p>Assignment of the Engagement Team and the Practitioner's Specialists</p> <p>.32 The engagement partner should be satisfied that the following apply:</p>	<p>Assignment of the Engagement Team and the Practitioner's Specialists (Ref: par. .32a–bi)</p> <p>A64.A63 .A64 The practitioner may obtain knowledge about the specific subject matter to which the procedures are to be applied through</p>

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<p>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. <u>A63.A64</u>–<u>A64.A65</u>)</p> <ul style="list-style-type: none"> i. perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and 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 <u>or</u>; conclusion, or findings on the subject matter or assertion, 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. <u>A65.A66</u>) ii. an other practitioner, when the work of that practitioner is to be used. <p>c. Those involved in the 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 engagement so that their significance may be assessed.</p>	<p>formal or continuing education, practical experience, or consultation with others.</p> <p><u>A65.A64</u>–<u>A65</u> 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. • ability to apply professional judgment. • understanding of the firm's quality control policies and procedures. <p><u>A66.A65</u>–<u>A66</u> 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>

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<p>Leadership Responsibilities for Quality in Attestation Engagements</p> <p>.33 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. .A66.A67) 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 contentious matters 	<p>Leadership Responsibilities for Quality in Attestation Engagements (Ref: par. .33c)</p> <p>.A67.A66.A67 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>
<p>.34 Throughout the engagement, the engagement partner should remain alert, through observation and making inquiries as necessary, for evidence of noncompliance with relevant ethical requirements by members of the engagement team. If matters come to the engagement partner's attention through the firm's system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, should determine the appropriate</p>	

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action.	
.35 The engagement partner should consider the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the engagement.	
Engagement Documentation	Engagement Documentation (Ref: par. .36–.37)
.36 The practitioner should prepare engagement documentation on a timely basis. (Ref: par. <u>A67</u> , <u>A68</u>)	<u>A68</u> , <u>A67</u> , <u>A68</u> 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.
.37 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. <u>A68</u> , <u>A69</u>)	<u>A69</u> , <u>A68</u> , <u>A69</u> 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: <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 communicated electronically

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<p>.38 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>.39 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> <ul style="list-style-type: none">a. the specific reasons for making the amendments or additions andb. when, and by whom, they were made and reviewed.	
<p>.40 Engagement documentation is the property of the practitioner, and some jurisdictions recognize this right of ownership in their statutes. The 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>.41 Because engagement documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information.</p>	
<p>.42 The practitioner should also adopt reasonable procedures to prevent unauthorized access to engagement documentation.</p>	
<p>.43 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 .20-.21)</p>	

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Engagement Quality Control Review	Engagement Quality Control Review (Ref: par. .44) <u>A70.</u> <u>A69</u> <u>A70</u> Other matters that may be considered in an engagement quality control review include the following: <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 should not release the practitioner's report until completion of the engagement quality control review. 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 proposed report and when applicable, the subject matter <u>information</u> and <u>anything additional information included in a document containing the subject matter and the practitioner's report thereon attached to it</u> iii. Reading selected engagement documentation relating to the significant judgments the engagement team made and the related decisions it reached iv. Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate
Professional Skepticism and Professional Judgment	Professional Skepticism and Professional Judgment
Professional Skepticism	Professional Skepticism (Ref: par. .45)
.45 The practitioner should plan and perform an attestation engagement	<u>A71.</u> <u>A70</u> <u>A71</u> Professional skepticism includes being alert to matters

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with professional skepticism. (Ref: par. <u>A70</u> . <u>A71</u> - <u>A72</u> . <u>A73</u>)	<p>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><u>A72</u>.<u>A71</u>-<u>A72</u> 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><u>A73</u>.<u>A72</u>-<u>A73</u> 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>
.46 Unless the practitioner has reason to believe the contrary, the practitioner may accept records and documents as genuine. If conditions identified during the attestation engagement cause the practitioner to	

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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.	
Professional Judgment .47 The practitioner should exercise professional judgment in planning and performing an attestation engagement. (Ref: par. <u>.A73</u> . <u>.A74</u> - <u>.A78</u> . <u>.A79</u>)	Professional Judgment (Ref: par. .47) <u>.A74</u> . <u>.A73</u> <u>.A74</u> 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. <u>.A75</u> . <u>.A74</u> <u>.A75</u> For examination and review engagements, professional judgment is necessary regarding decisions about the following matters: <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 this section, AT-C section 205, or AT-C section 210, and any relevant subject-matter-specific AT-C sections and thereby the overall objectives of the practitioner• The evaluation of the responsible party's judgments in applying the criteria

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	<ul style="list-style-type: none">• The drawing of conclusions based on the evidence obtained, for example, assessing the reasonableness of the evaluation or measurement of the subject matter or an assertion <p>A76.A75 A76 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>A77.A76 A77 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 practitioner in making informed and reasonable judgments.</p> <p>A78.A77 A78 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.</p> <p>A79.A78 A79 The requirement to exercise professional judgment applies throughout the engagement. Professional judgment also needs to be appropriately documented as required by AT-C sections 205 and 210.</p>