

AT-C Section 206

Direct Examination Engagements

Source: SSAE No. 21.

Effective for practitioners' direct examination reports dated on or after June 15, 2022.

Introduction

.01 This section contains performance and reporting requirements and application guidance for direct examination engagements.

.02 In addition to complying with this section, a practitioner performing a direct examination engagement is required to comply with section 105, *Concepts Common to All Attestation Engagements*.^{*} This section addresses direct examination engagements in which the practitioner obtains reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of that measurement or evaluation. In a direct examination engagement, the responsible party does not provide an assertion. (Ref: par. .A1–.A2)

Effective Date

.03 This section is effective for practitioners' direct examination reports dated on or after June 15, 2022.

Objectives

.04 In conducting a direct examination engagement, the objectives of the practitioner are to

- a. obtain reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence,
- b. express an opinion in a written report that conveys the results of the practitioner's measurement or evaluation, and
- c. communicate as required by this AT-C section, in accordance with the results of the practitioner's procedures.

Requirements

Requirements in AT-C Section 205 to Be Adapted to a Direct Examination Engagement and Requirements in This Section That Differ From and Replace Related Requirements in AT-C Section 205 or Are in Addition to Requirements in AT-C Section 205

.05 In performing a direct examination engagement, the practitioner is not required to request a written assertion from the responsible party.¹ However,

^{*} All AT-C sections can be found in AICPA *Professional Standards*.

¹ Paragraph .10 of section 205, *Assertion-Based Examination Engagements*.

the practitioner is required to apply the other requirements in section 205 to a direct examination engagement unless

- a. the requirement cannot be applied as written because of the nature of a direct examination engagement, in which case, the practitioner should adapt and apply the requirement (Ref: par. .A3–.A7)
- b. specified requirements in this section differ from and replace the related requirements in section 205. (These requirements are tailored to a direct examination engagement and identified in paragraph .06 of this section.) (Ref: par. .A8)

Requirements in This Section That Differ From and Replace Related Requirements in AT-C Section 205 or Are in Addition to Requirements in AT-C Section 205

.06 When the practitioner performs examination procedures that address the following aspects of a direct examination engagement, the practitioner should apply the requirements in the paragraphs identified in items *a–d*, which differ from and replace the related requirements in section 205 or are in addition to the requirements in section 205. (Ref: par. .A9)

- a. Matters relevant to accepting or continuing a direct examination engagement (paragraphs .07–.08)
- b. Terms of the engagement (paragraph .09)
- c. The written representations that a practitioner is required to request of the responsible party and of the engaging party when the engaging party is not the responsible party (paragraphs .10–.11)
- d. The required elements of the practitioner's direct examination report (paragraph .12)

Acceptance and Continuance

Determining Whether to Perform a Direct Examination Engagement

.07 Before accepting or continuing a direct examination engagement, the practitioner should obtain an understanding of the following matters through inquiries of the appropriate party: (Ref: par. .A10–.A14)

- a. The intended purpose of the engagement, how the practitioner's report will be used, and why the engaging party wishes to engage the practitioner to perform a direct examination engagement
- b. If the responsible party has not measured or evaluated the underlying subject matter against the criteria, why the responsible party has not done so
- c. If the responsible party has measured or evaluated the underlying subject matter against the criteria, why the responsible party does not intend to provide an assertion

.08 Based on the information obtained from the following, the practitioner should evaluate whether to perform a direct examination engagement:

- a. The inquiries in paragraph .07
- b. Previous engagements performed for the engaging party, if any
- c. Preliminary discussions with the engaging party, including discussion when agreeing upon the terms of the engagement

Terms of the Engagement

.09 Paragraph .07 of section 205 requires the practitioner to agree upon the terms of the engagement with the engaging party and that the agreement be in sufficient detail in an engagement letter or other suitable form of written agreement. In a direct examination engagement, the agreed-upon terms of the engagement should include the following: (Ref: par. .A15)

- a.* The objective and scope of the engagement
- b.* The responsibilities of the practitioner
- c.* A statement that the engagement will be conducted in accordance with attestation standards established by the AICPA
- d.* The responsibilities of the responsible party and the responsibilities of the engaging party, if different, including the following: (Ref: par. .A16)
 - i.* The responsible party is responsible for the underlying subject matter
 - ii.* The responsible party or engaging party, as applicable, is responsible for the following:
 - (1) Selecting the criteria for the measurement, evaluation, or disclosure of the underlying subject matter (Ref: par. .A17)
 - (2) Determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement
- e.* A statement about the inherent limitations of an examination engagement (Ref: par. .A18)
- f.* Identification of the criteria for the measurement, evaluation, or disclosure of the underlying subject matter
- g.* An acknowledgment that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement

Written Representations

.10 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. .A19–.A20)

- a.* state that all known matters contradicting the measurement or evaluation of the underlying subject matter or the subject matter information, and any communication from regulatory agencies or others affecting the underlying subject matter or subject matter information have been disclosed to the practitioner, including communications received between the end of the period addressed by the practitioner's report and the date of the practitioner's report.
- b.* acknowledge responsibility for
 - i.* the underlying subject matter;
 - ii.* selecting the criteria, when applicable; (Ref: par. .A17) and
 - iii.* determining that such criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.

- c. state that the responsible party has disclosed to the practitioner
 - i. all deficiencies in internal control relevant to the underlying subject matter 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 underlying subject matter or subject matter information; and
 - iii. other matters as the practitioner deems appropriate
- d. state that any known events occurring subsequent to the period (or point in time) of the underlying subject matter or subject matter information being reported on that would have a material effect on the underlying subject matter or subject matter information have been disclosed to the practitioner. (Ref: par. .A21)
- e. state that it has provided the practitioner with all relevant information and access as agreed upon in the terms of the engagement.

.11 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

- a. acknowledge that the responsible party is responsible for the underlying 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 suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.
- d. state that the engaging party is not aware of any material misstatements in the underlying subject matter or subject matter information.
- 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 information being reported on that would have a material effect on the subject matter information.
- f. address other matters as the practitioner deems appropriate.

Content of the Practitioner's Report

.12 The practitioner's report should include the following, unless the practitioner is disclaiming an opinion, in which case, items .12f–g should be omitted:

- a. A title that includes the word *independent*. (Ref: par. .A22)
- b. An appropriate addressee as required by the circumstances of the engagement.
- c. An identification or description of the subject matter information being reported on, including the point in time or period of time to which the measurement or evaluation of the underlying subject matter against the criteria relates.

- d.* An identification of the criteria against which the underlying subject matter was measured or evaluated. (Ref: par. .A23)
- e.* An identification of (Ref: par. .A24)
 - i.* the responsible party and its responsibility for the underlying subject matter.
 - ii.* the practitioner's responsibility for
 - (1) measuring or evaluating the underlying subject matter against the criteria and performing other procedures,
 - (2) expressing an opinion that conveys the results of the practitioner's measurement or evaluation of the underlying subject matter against the criteria, based on the practitioner's examination, and
 - (3) presenting any subject matter information as part of the practitioner's measurement or evaluation, when applicable.
- f.* A statement that
 - i.* the practitioner's examination was conducted in accordance with attestation standards established by the AICPA.
 - ii.* those standards require that the practitioner obtain reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the result of that measurement or evaluation.
 - iii.* the practitioner believes the evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's opinion.
- g.* A description of the nature of a direct examination engagement. (Ref: par. .A25–.A26)
- h.* A statement that the practitioner is required to be independent and to meet the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement. (Ref: par. .A27–.A28)
- i.* A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the underlying subject matter against the criteria. (Ref: par. .A29)
- j.* The practitioner's opinion conveying the results of the practitioner's measurement or evaluation of the underlying subject matter against the criteria (Ref: par. .A30–.A32)
- k.* The manual or printed signature of the practitioner's firm.
- l.* The city and state where the practitioner's report is issued. (Ref: par. .A33)
- m.* 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

- i. the attestation documentation has been reviewed, and
- ii. if applicable, the written presentation of the subject matter information has been prepared. [Ref par. .A34–.A35]

Application and Other Explanatory Material

Introduction (Ref: par. .01–.02)

.A1 The practitioner's objective in a direct examination engagement is to obtain reasonable assurance, just as it is in an assertion-based examination engagement.

.A2 This section is not applicable to examination engagements related to subject matter for which other AT-C sections require the application of section 205, *Assertion-Based Examination Engagements*. Those sections are as follows: (Ref: par. .02)

- a. AT-C section 305, *Prospective Financial Information*
- b. AT-C section 310, *Reporting on Pro Forma Financial Information*
- c. AT-C section 315, *Compliance Attestation*
- d. AT-C section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*
- e. AT-C section 395, *Management's Discussion and Analysis*

Requirements in AT-C Section 205 to Be Adapted to a Direct Examination Engagement and Requirements in This Section That Differ From and Replace Related Requirements in AT-C Section 205 or Are in Addition to Requirements in AT-C Section 205 (Ref: par. .05 and .06)

.A3 In a direct examination engagement, obtaining reasonable assurance is the benchmark the practitioner uses for determining how and the extent to which section 205 may need to be adapted.

.A4 The nature of a direct examination engagement is one in which the responsible party does not provide an assertion, and the extent to which the responsible party has measured or evaluated the underlying subject matter against the criteria may vary.

.A5 An example of a requirement in section 205 that the practitioner may be unable to apply, as written, is the requirement in paragraph .30a of section 205 to evaluate whether the responsible party has appropriately applied the requirements of the criteria to any estimated amounts. In a direct examination engagement, the responsible party may not have fully applied the criteria to the underlying subject matter to develop the estimate. Therefore, the practitioner would be unable to evaluate the responsible party's method for making the estimate. However, the practitioner might adapt the requirement by determining the method used by other entities in the same industry to make the estimate and then using that method in developing the estimate.

.A6 Although the practitioner could not evaluate the appropriateness of the responsible party's method for making the estimate, as required by section 205, the practitioner, as part of developing the estimate, would be able to perform other procedures that are relevant to making the estimate, such as obtaining an understanding of

- how the responsible party's information system captures and records data and other information that provides a basis for the estimate (that is, underlying subject matter).
- the relevant controls over that data and other information.
- the factors both internal and external to the entity that affect the estimate.

Obtaining an understanding of these matters also assists the practitioner in determining the appropriate method to use for making the estimate, assessing the accuracy and completeness of the data, and considering other relevant information to be used in developing the estimate.

.A7 Paragraph .13 of section 205 requires the practitioner to develop a plan that includes a description of the

- nature, timing, and extent of planned risk assessment procedures and further procedures.
- other planned procedures that are required to be carried out so that the engagement complies with the attestation standards.

Applying paragraph .13 to a direct examination engagement may increase the extent or change the nature of the work the practitioner needs to perform because in a direct examination engagement the practitioner measures or evaluates the underlying subject matter against the criteria and performs other procedures to obtain reasonable assurance. In an assertion-based examination engagement, the practitioner tests subject matter information prepared by the responsible party. Also, in a direct examination engagement, risk assessment procedures may primarily address

- the accuracy and completeness of the underlying subject matter,
- the practitioner's competence and experience with the underlying subject matter and criteria, and
- the complexity of the measurement or evaluation of the underlying subject matter against the criteria.

.A8 To provide context for the requirements identified in this section or to present a complete list of requirements for a particular aspect of a direct examination engagement, some paragraphs in this section repeat requirements that are the same as those for an assertion-based examination engagement. (Ref: par. .05b)

Requirements in This Section That Differ From and Replace Related Requirements in AT-C Section 205 or Are in Addition to Requirements in AT-C Section 205 (Ref: par. .06)

.A9 The following table identifies paragraphs in this section that contain requirements that differ from and replace related requirements in section 205 or are in addition to the requirements in section 205:

<i>Aspect of a Direct Examination</i>	<i>Paragraphs in AT-C Section 206 That Contain Requirements That Differ From and Replace Related Requirements in AT-C Section 205 or Are in Addition to Requirements in AT-C Section 205</i>	<i>Paragraphs in AT-C Section 205 That Are Replaced by Paragraphs in AT-C Section 206</i>
Acceptance or Continuance	.07–.08	
Terms of the Engagement	.09	.08
Written Representations	.10–.11	.51 and .53
Required Elements of the Report	.12	.63

Acceptance and Continuance (Ref: par. .07–.08)

Determining Whether to Perform a Direct Examination Engagement

.A10 In some cases, the responsible party may be unable to provide a written assertion because the entity does not have the personnel or systems needed to establish a reasonable basis for such an assertion. In other cases, the responsible party may simply wish to engage the practitioner to measure or evaluate the underlying subject matter against the criteria, or an engaging party other than the responsible party may engage the practitioner to do so.

.A11 In determining whether to accept or continue a direct examination engagement, the practitioner may inquire whether the responsible party is required by law, regulation, or contract to measure or evaluate the underlying subject matter against the criteria or provide a written assertion regarding the outcome of that measurement or evaluation.

.A12 If the responsible party states that it has measured or evaluated the underlying subject matter against the criteria, the practitioner may request the results of that measurement or evaluation.

.A13 The responsible party may not intend to provide an assertion because, for example, the responsible party performed only a partial measurement or evaluation of the underlying subject matter but not to an extent that would provide a reasonable basis for an assertion.

.A14 A practitioner may be requested to change an assertion-based examination engagement, in accordance with section 205, to a direct examination engagement. A change from an assertion-based examination engagement to a direct examination engagement would not be considered a change to a lower level of service as described in paragraph .32 of section 105 because both services entail obtaining reasonable assurance and result in an examination report.

Terms of the Engagement (Ref: par. .09)

.A15 A practitioner may further describe the terms of the engagement by adding the following items to the engagement letter or other suitable form of written agreement:

- a. A statement that a direct examination is designed to obtain reasonable assurance about whether the subject matter information is free from material misstatement
- b. A statement that the objective of a direct examination is
 - i. to obtain reasonable assurance by measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence
 - ii. to express an opinion in a written practitioner's report that conveys the results of the practitioner's measurement or evaluation of the underlying subject matter against the criteria

.A16 Situations may exist in which the responsible party is not the engaging party and, as such, the responsibilities of each party may differ. For example, when the responsible party is not the engaging party, the engaging party, rather than the responsible party, may be responsible for selecting the criteria.

.A17 The engaging party may request that the practitioner recommend, develop, or assist in developing the criteria for the engagement. Regardless of whether the practitioner recommends, develops, or assists in developing the criteria for the engagement, the engaging party is required to determine that the criteria are suitable, will be available to the intended users, and are appropriate for the purpose of the engagement.

.A18 If relevant, a statement about the inherent limitations of an examination engagement may indicate that "because of the inherent limitations of an 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 examination is properly planned and performed in accordance with the attestation standards."

Written Representations (Ref: par. .10)

.A19 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person 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, which may vary by entity, reflecting influences such as size and ownership characteristics.

.A20 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 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.

.A21 A discussion of what is considered a material effect on the underlying subject matter or subject matter information may be included explicitly in the representation letter in qualitative or quantitative terms.

Content of the Practitioner's Report

Title (Ref: par. .12a)

.A22 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.

Criteria (Ref: par. .12d)

.A23 The practitioner's report may include the criteria or refer to them if they are included in the subject matter information 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 .A86 of section 205.

Relevant Responsibilities (Ref: par. .12e)

.A24 Identifying relative responsibilities informs the intended users that the responsible party is responsible for the underlying subject matter, and the practitioner's role is to obtain reasonable assurance by measuring or evaluating the underlying subject matter against the criteria, and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of that measurement or evaluation.

Description of the Nature of a Direct Examination Engagement (Ref: par. .12g)

.A25 A description of the nature of a direct examination engagement may state, for example, that

- a direct examination involves measuring or evaluating the underlying subject matter against the criteria and performing other procedures to obtain sufficient appropriate evidence.
- in making an assessment of the risks of material misstatement, the practitioner considered and obtained an understanding of internal control relevant to the underlying 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.
- the nature, timing, and extent of the procedures selected depend on the practitioner's judgment, including an assessment of the risks of material misstatement of the subject matter information, whether due to fraud or error.

.A26 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:

- Whether such a description is likely to overshadow the practitioner's overall opinion or cause report users to misunderstand the opinion
- 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 underlying subject matter of the engagement and experience in using the information in such reports

Relevant Ethical Requirements (Ref: par. .12h)

.A27 Relevant ethical requirements consist of the AICPA Code of Professional Conduct together with rules of state boards of accountancy and applicable regulatory agencies that are more restrictive. When the AICPA Code of Professional Conduct applies, the practitioner's other ethical responsibilities relate to the "Principles of Professional Conduct" (ET sec. 0.300).²

.A28 Relevant ethical requirements may exist in several different sources, such as ethical codes and additional rules and requirements within law and regulation. When independence and other relevant ethical requirements are contained in a limited number of sources, the practitioner may choose to name the relevant sources (for example, the name of the code, rule, or applicable regulation, or *Government Auditing Standards* promulgated by the Comptroller General of the United States, or may refer to a term that appropriately describes those sources.

Inherent Limitations (Ref: par. .12i)

.A29 When not explicitly required by an AT-C section, identification in the report of inherent limitations is based on the practitioner's judgment.

Opinion (Ref: par. .12j)

.A30 The following are examples of language the practitioner may use in the opinion to convey the results of the practitioner's measurement or evaluation of the underlying subject matter against the criteria, as required by paragraph .12j:

- The underlying subject matter is presented in accordance with (or based on) the criteria, in all material respects.
- The subject matter information is free from material misstatement based on the criteria.
- The subject matter information 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 information relates to whether the measurement, recognition, presentation, and disclosure of all material items in the presentation of the subject matter achieve fair presentation.)

.A31 A single practitioner's report may cover more than one aspect of subject matter information. When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter information.

.A32 A practitioner may report on subject matter information at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner's report on comparative information). Criteria are clearly

² All ET sections can be found in AICPA *Professional Standards*.

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 information, or in the report, even if the subject matter for the preceding date or period is not presented.

Location (Ref: par. .12l)

.A33 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.

Date (Ref: par. .12m)

.A34 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 information and the report.

.A35 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 information comprises, including any related notes, when applicable, have been prepared.

.A36

Exhibit — Illustrative Direct Examination Reports

The illustrative practitioner's direct examination reports in this exhibit meet the applicable reporting requirements in paragraph .12 of this section. A practitioner may use alternative language in drafting a direct examination report, provided that the language meets the applicable requirements in paragraph .12 of this section.

Example 1

Circumstances include the following:

The practitioner was engaged to

- measure the rates of return (subject matter information) on XYZ Company's investment transactions during the year ended December 31, 20XX (the underlying subject matter) based on specified criteria
- present the rates of return on the investment transactions in a schedule of investment returns (subject matter information).

Independent Accountant's Report

[Appropriate Addressee]

We have examined¹ *[identify the underlying subject matter, for example, the investment transactions of XYZ Company during the year ended December 31, 20XX]*. XYZ Company's management is responsible for *[identify the underlying subject matter, for example, its investment transactions during the year ended December 31, 20XX]* and maintaining a record of those transactions. Our responsibility is to obtain reasonable assurance by measuring (or evaluating) *[identify the underlying subject matter, for example, the investment transactions of XYZ Company during the year ended December 31, 20XX]* against *[identify the criteria, for example, the ABC criteria set forth in Note 1 of the accompanying schedule of investment returns]* to determine *[identify the subject matter information, for example, the rates of return on those investment transactions]* and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement (or evaluation) based on our examination. We have presented the results of our measurement in the accompanying schedule of investment returns.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by measuring (or evaluating) *[identify the underlying subject matter, for example, the investment transactions of XYZ Company during the year ended December 31, 20XX]* against *[identify the criteria, for example, the ABC criteria set forth in Note 1 of the accompanying schedule of investment returns]* and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of *[identify the underlying subject matter, for example, the investment transactions of XYZ Company during the year ended December 31, 20XX]*. 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 information, for example,*

¹ The practitioner may revise the first sentence of the report to read "We have directly examined ..." or "We have performed a direct examination of ..." or similar.

the rates of return on those investment transactions for the year ended December 31, 20XX, as presented in 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.

We are required to be independent of [*identify the responsible party, for example, XYZ Company*] and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

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

[*Additional paragraphs may be added to emphasize certain matters relating to the attestation engagement, the underlying subject matter, or the subject matter information.*]

In our opinion, [*identify the subject matter information, for example, the rates of return on the investment transactions of XYZ Company during the year ended December 31, 20XX included in the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX,*], are fairly presented in accordance with (or based on) [*identify the criteria, for example, the ABC criteria set forth in Note 1*], in all material respects.

[*Signature of the practitioner's firm*]

[*City and state where the practitioner's report is issued*]

[*Date of the practitioner's report*]

Example 2

Circumstances include the following:

The practitioner was engaged to

- evaluate a daycare center's safety practices during the year ended December 31, 20XX, and implementation of those practices (the underlying subject matter) based on criteria established by an educational organization.
- express an opinion (subject matter information) about whether the daycare center's safety practices and implementation of those practices were in accordance with the criteria.

Independent Accountant's Report

[*Appropriate Addressee*]

We have examined ¹ [*identify the underlying subject matter, for example, Indulgent Daycare Center's safety practices and its implementation of those practices during the year ended December 31, 20XX*]. Indulgent Daycare Center's management is responsible for [*identify the underlying subject matter, for example, its safety practices and its implementation of those practices*]. Our responsibility is to obtain reasonable assurance by measuring (or evaluating) [*identify the underlying subject matter, for example, Indulgent Daycare Center's safety practices and its implementation of those practices during the year ended December 31, 20XX*] against [*identify the criteria, for example, XYZ Educator's Best Safety Practices for Daycare Centers*] and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement (or evaluation) based on our examination.

¹ The practitioner may revise the first sentence of the report to read "We have directly examined ..." or "We have performed a direct examination of ..." or similar.

Our examination was conducted in accordance with the attestation standards for a direct examination engagement established by the AICPA. Those standards require that we obtain reasonable assurance by measuring (or evaluating) *[identify the underlying subject matter; for example, Indulgent Daycare Center's safety practices and its implementation of those practices during the year ended December 31, 20XX]* against *[identify the criteria; for example, XYZ Educator's Best Safety Practices for Daycare Centers]* and performing other procedures to obtain sufficient appropriate evidence to express an opinion that conveys the results of our measurement or evaluation of *[identify the underlying subject matter; for example, Indulgent Daycare Center's safety practices and its implementation of those practices during the year ended December 31, 20XX]*. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks that *[identify the underlying subject matter; for example, Indulgent Daycare Center's safety practices and its implementation of those practices]* were not in accordance with *[identify the criteria; for example, XYZ Educator's Best Safety Practices for Daycare Centers]* in all material respects, 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.

We are required to be independent of *[identify the responsible party; for example, Indulgent Daycare Center]*, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our examination engagement.

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

[Additional paragraphs may be added to emphasize certain matters relating to the attestation engagement, the underlying subject matter, or the subject matter information.]

In our opinion, *[identify the underlying subject matter; for example, Indulgent Daycare Center's safety practices and its implementation of those practices during the year ended December 31, 20XX]*, were in accordance with (or based on) *[identify the criteria; for example, XYZ Educator's Best Safety Practices for Daycare Centers]*, in all material respects.

[Signature of the practitioner's firm]

[City and state where the practitioner's report is issued]

[Date of the practitioner's report]
