



## Agenda Item 2A

---

# EXPOSURE DRAFT

---

# PROPOSED STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS

## *Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification*

*Supersedes the following sections of Statement on Standards for Attestation Engagements (SSAE) No. 18:*

- *AT-C section 105, Concepts Common to All Attestation Engagements*
- *AT-C section 205, Examination Engagements*
- *AT-C section 210, Review Engagements*
- *AT-C section 215, Agreed-Upon Procedures Engagements*

**July 11, 2018**

**Comments are requested by October 11, 2018**

Prepared by the AICPA Auditing Standards Board for comment from persons interested in auditing, attestation, and reporting issues.

Comments should be addressed to Sherry Hazel at [Sherry.Hazel@aicpa-cima.com](mailto:Sherry.Hazel@aicpa-cima.com).

Copyright © 2018 by American Institute of Certified Public Accountants, Inc.

Permission is granted to make copies of this work provided that such copies are for personal, intraorganizational, or educational use only and are not sold or disseminated and provided further that each copy bears the following credit line: “© 2018 American Institute of Certified Public Accountants, Inc. Used with permission.”

**CONTENTS**

	<b>Page</b>
<b>Explanatory Memorandum</b>	
Introduction.....	4
Changes From Existing Standards .....	7
Issues for Consideration.....	12
ASB Vote for Issuance of the Exposure Draft.....	13
Guide for Respondents.....	13
Supplement to the Exposure Draft.....	14
Comment Period .....	14
Auditing Standards Board Members.....	15
<b>Exposure Draft</b>	
Proposed Statement on Standards for Attestation Engagements <i>Revisions to Statement on Standards for Attestation Engagements No. 18</i> , Attestation Standards: Clarification and Recodification .....	23
<b>Exhibit A to the Exposure Draft</b>	
Conforming Changes to Subject Matter AT-C Sections.....	204
<b>Exhibit B to the Exposure Draft</b>	
Mapping of Requirements in International Standard on Assurance Engagements (ISAE) 3000 (Revised), <i>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</i> , to Related Paragraphs in the Exposure Draft <i>Revisions to Statement on Standards for Attestation Engagements No. 18</i> , Attestation Standards: Clarification and Recodification .....	353

## Explanatory Memorandum

### Introduction

Statements on Standards for Attestation Engagements (SSAEs), which are also known as the *attestation standards*, establish performance and reporting requirements for examination, review, and agreed-upon procedures attestation engagements. The purpose of an attestation engagement is to provide users of information, generally third parties, with an opinion, conclusion, or findings regarding the reliability of subject matter or an assertion about subject matter, as measured against suitable and available criteria. (An examination engagement results in an opinion; a review engagement results in a conclusion; and an agreed-upon procedures engagement results in findings.) The practitioner's attestation report is intended to enhance the degree of confidence that intended users can place in the subject matter. The attestation standards can be applied to innumerable types of subject matter, for example, compliance with a law or regulation, the effectiveness of controls over the security of a system, or a statement of greenhouse gas emissions.

This memorandum provides background regarding why the Auditing Standards Board (ASB) is issuing this proposed SSAE, *Revisions to Statement on Standards for Attestation Engagements No. 18, Clarification and Recodification*, which would supersede AT-C section 105, *Concepts Common to All Attestation Engagements*; AT-C section 205, *Examination Engagements*; AT-C section 210, *Review Engagements*; and AT-C section 215, *Agreed-Upon Procedures Engagements*.<sup>1</sup>

The most significant aspects of this proposed SSAE are as follows:

- It would no longer require the practitioner to request a written assertion from the responsible party when the practitioner is reporting directly on the subject matter.
- It would more closely harmonize AT-C section 210 with the limited assurance provisions of International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits and Reviews of Historical Financial Information*, including changing the term *review engagement* to *limited assurance engagement*. The proposed revisions to AT-C section 210 more explicitly describe the types of procedures a practitioner may perform in a limited assurance engagement. These procedures are much the same as the procedures a practitioner may perform in an examination engagement, except that the nature, timing, and extent of those procedures are tailored to a limited assurance engagement. Finally, the proposed revisions to AT-C section 210 would require that the practitioner's report include an informative summary of the work performed as a basis for the practitioner's conclusion.
- It would revise AT-C section 215 by
  - no longer requiring that all of the parties to the engagement (the engaging party, the responsible party (where applicable), and users of the practitioner's report) agree to

---

<sup>1</sup> All AT-C sections can be found in AICPA *Professional Standards*.

the procedures to be performed and take responsibility for their sufficiency. Instead, the proposed revision would require that the engaging party acknowledge the *appropriateness* of the procedures and would explicitly allow the practitioner to develop, or assist in developing, the procedures, and

- allowing the practitioner to issue a general use report, unless the procedures are prescribed and the practitioner is precluded from designing or performing additional procedures, the criteria are not available to users, or the criteria are suitable only for a limited number of users.

These changes and other proposed changes included in this proposed SSAE are explained in greater detail in the section, “Changes From Existing Standards.”

The proposed revisions to AT-C sections 105, 210, and 215 were developed with the support and input of the Accounting and Review Services Committee (ARSC). The proposed revisions to AT-C section 215 were developed by the ASB and the ARSC as a joint project.

## **Background**

To address concerns over the clarity, length, and complexity of its standards, the ASB established clarity drafting conventions and undertook a project to redraft all the standards it issues in clarity format. The ASB had previously revised and adopted clarified auditing standards, and upon completion of that project, had begun to clarify the attestation standards. In April 2016, the ASB issued SSAE No. 18, *Attestation Standards: Clarification and Recodification*, which clarified the attestation standards.

In completing the clarity attestation project, the ASB acknowledged that its standards were not converged with the ISAEs, in particular, because ISAE 3000 (Revised) does not require the practitioner to request a written assertion from the responsible party. The clarified standards require the practitioner to request such an assertion in order to perform an examination or review engagement. Accordingly, the ASB determined that such matters should be the subject of a follow-on ASB project to further evaluate the requirement for the practitioner to request an assertion.

Subsequent to undertaking this effort, the ASB’s Audit Issues Task Force recommended that the ASB adopt a project to evaluate opportunities to provide practitioners with additional flexibility when performing an agreed-upon procedures engagement, including the potential for the practitioner to be involved in the design of those procedures and issue a general use report in those circumstances. Additional discussion with respect to the project is presented in the following section.

## **Exposure Draft of Proposed SSAE, *Selected Procedures***

In September 2017, the ARSC exposed for public comment *Proposed Statement on Standards for Attestation Engagements, Selected Procedures*, which was developed jointly by the ARSC and the ASB.

The proposed SSAE would have eliminated the requirement for

- the engaging party (and responsible party, where applicable) and users of the practitioner's report to agree to the procedures to be performed and to accept responsibility for the sufficiency of the procedures for their purposes. The proposed SSAE would have enabled the practitioner to determine the procedures to be performed, and no party would have been required to take responsibility for the sufficiency of the procedures. This would have allowed the practitioner to perform the engagement without having to perform a separate consulting services engagement in situations in which the specified parties do not have the ability or willingness to fully develop or determine the procedures.
- the practitioner to either request a written assertion or disclose in the accountant's report when the practitioner has not obtained a written assertion. This is because the appropriate party may not have the ability or willingness to perform its own measurement or evaluation of the subject matter.
- the practitioner to restrict the use of an agreed-upon procedures report. The proposed SSAE would allow the report to be used by a wider audience, including parties who are unwilling or unable to agree to the sufficiency of the procedures for their purposes.

As part of the exposure draft, the ARSC asked respondents whether they believe the proposed SSAE should be included in the professional literature as (a) a revision to AT-C section 215 (that is, the requirements and guidance for agreed-upon procedures engagements and selected procedures engagements would reside in one AT-C section) or (b) as a new stand-alone AT-C section.

Comments were requested by December 1, 2017, and 28 comment letters were received from a variety of interested parties, including large international firms, smaller firms, state societies, and regulators.

The ARSC and ASB met separately in January 2018 to consider the comment letters received. After extensive discussion and input from the Attestation Standards Task Force (a joint task force of the ASB and ARSC), both the ASB and the ARSC determined that AT-C section 215 should be revised to provide increased flexibility for practitioners performing and reporting on an agreed-upon procedures engagement, while retaining the practitioner's ability to perform an agreed-upon procedures engagement as contemplated in extant AT-C section 215. The proposed revisions to AT-C section 215 included in this proposed SSAE reflect the directives of the ARSC and ASB.

The exposure draft Proposed Statement on Standards for Attestation Engagements *Selected Procedures* is available at

<https://www.aicpa.org/content/dam/aicpa/research/exposedrafts/accountingandauditing/downloadabledocuments/20170901a-ed-selected-procedures.pdf>. The 28 comment letters received are available at

<https://www.aicpa.org/content/aicpa/research/exposedrafts/accountingandauditing/loc-on-ed-of-proposed-sas-for-attestation-engagements-selected-procedures.html>. That exposure draft has not been withdrawn by the ARSC.

## Convergence

It is the ASB's strategy to converge its standards with those of the International Auditing and Assurance Standards Board (IAASB). For that reason, another objective of this proposed SSAE is to further converge the attestation standards with ISAE 3000 (Revised), which was issued in December 2013. ISAE 3000 (Revised) is an assurance standard that addresses reasonable assurance engagements (examinations) and limited assurance engagements (reviews). The IAASB's assurance standards are the equivalent of the ASB's attestation standards for examinations and reviews.

When the attestation standards were clarified by the ASB in 2016, the foundation for AT-C sections 105, 205, and 210 was the IAASB's exposure draft of ISAE 3000 and final ISAE 3410, *Assurance Engagements on Greenhouse Gas Emissions*. Many of the paragraphs in the extant AT-C sections were converged with the related paragraphs in the ISAE 3000 exposure draft. However, the ASB did not adopt certain aspects of the exposure draft of ISAE 3000 at that time, for example, allowing the practitioner to perform an examination or review engagement without having to request a written assertion from the responsible party. In revising the attestation standards at this time, the proposed SSAE provides another opportunity for the ASB to more closely align the examination and review sections of the attestation standards with ISAE 3000 (Revised). However, to remain aligned with practitioners' current understanding and application of the attestation standards in the United States, certain definitions and terms included in ISAE 3000 (Revised) have not been included in the proposed SSAE (for example, the definitions of *examination engagement* and *limited assurance engagement* remain more similar to the definitions in the extant AT-C sections, and the term *subject matter information* is not used in the proposed SSAE). Exhibit B of this exposure draft includes a mapping of the requirements in ISAE 3000 (Revised) to the requirements in extant AT-C sections 105, 205, and 210, as well as the changes included in this proposed SSAE that would further align the requirements in AT-C sections 105, 205, and 210 with those in ISAE 3000 (Revised).

## Changes From Existing Standards

The following is a summary of the proposed changes to the extant attestation standards that the ASB believes would be the most significant:

### Proposed Changes That Affect All Attestation Engagements

- *No longer requires the practitioner to request a written assertion from the responsible party when the practitioner is reporting directly on the subject matter.* In the proposed SSAE, a written assertion from the responsible party would be required only if the practitioner were reporting on the assertion. In engagements in which the practitioner reports directly on the subject matter, requesting a written assertion from the responsible party would no longer be required.
- *Adds a statement to the practitioner's report regarding independence.* The proposed SSAE requires the practitioner to include a statement in the practitioner's report indicating that the practitioner is independent and has fulfilled the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the engagement. This new requirement aligns with the requirement in ISAE 3000 (Revised)

and is consistent with proposed revisions to the reporting requirements in the ASB's exposure draft *Proposed Statement on Auditing Standards, Forming an Opinion and Reporting on Financial Statements*.

### **Request for Comment 1**

Please provide your views on the proposed changes discussed in the preceding section. Specifically, indicate whether you believe the proposed changes to the attestation standards are understandable and whether the application guidance is helpful in applying the new proposed requirements.

### **Proposed Changes That Affect Examination and Review Engagements**

The following are proposed changes that affect examination and review engagements:

- *Adds a requirement for the practitioner to request a written representation stating whether the subject matter has been measured or evaluated against the criteria. In all examination and limited assurance engagements, the proposed SSAE would require the practitioner to request a representation from the appropriate party (either the engaging party or, if different, the responsible party) about whether the subject matter has been measured or evaluated against the criteria and, if so, the results of that measurement or evaluation. Because the practitioner may perform some or all of the measurement or evaluation of the subject matter against the criteria, the appropriate party may or may not have performed any such measurement or evaluation, depending on the engagement circumstances. The proposed SSAE acknowledges that there may be situations in which the practitioner is required to report on the responsible party's assertion or to request an assertion, for example, to comply with the terms of an engagement; management's request that the practitioner report on the assertion; the requirements of a law, regulation, or contract; or the requirements of a particular AT-C section, such as extant AT-C section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*.*
- *Requires the practitioner to determine whether management has a reasonable basis for its assertion when management provides an assertion. In order to report on management's assertion, the proposed SSAE requires the practitioner to use professional judgment in determining whether the appropriate party has a reasonable basis for making its assertion.*
- *Acknowledges the practitioner's ability to add information to the practitioner's report that goes beyond the minimum report elements required by AT-C sections 205 and 210. Consistent with ISAE 3000, application guidance has been added to AT-C sections 205 and 210 to indicate that a practitioner may issue a report that contains only the minimum required report elements or issue a report that expands on or supplements those elements, for example, a report that contains details about the terms of the engagement, the applicable criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, a description of the procedures the practitioner performed, and, in some cases, recommendations. Although nothing in the extant attestation standards precludes a*

practitioner from adding such information to any report, there is no guidance in the extant attestation standards indicating that it is permissible to do so. Paragraph .A81 of proposed AT-C section 205 and paragraph .A68 of proposed AT-C section 210 clarify that a practitioner may issue an examination or limited assurance report, respectively, that expands on or supplements the minimum required report elements to include information or explanations that are not intended to affect the practitioner's opinion or conclusion but may address the information needs of the intended users.

**Request for Comment 2**

Please provide your views on the proposed changes discussed in the preceding section. Specifically, indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

With respect to paragraph .A81 of proposed AT-C section 205 and paragraph .A68 of proposed AT-C section 210, do the application paragraphs provide sufficient guidance to enable a practitioner to supplement or expand the content of the practitioner's report if the practitioner wishes to do so? If not, what additional guidance is needed?

**Proposed Changes That Affect Only Examination Engagements**

The following are proposed changes that affect only examination engagements:

- *Eliminates the required report modification resulting from the practitioner's inability to obtain one or more requested written representations.* The proposed SSAE revises paragraph .A64 of AT-C section 205, which indicates that failure by the responsible party to provide one or more written representations results in a scope limitation sufficient to preclude an unmodified opinion. The proposed SSAE would permit the practitioner to use professional judgement in determining whether sufficient appropriate evidence about the matter addressed by that representation has been obtained by performing other procedures. The proposed SSAE would also revise paragraph .54 of extant AT-C section 205 to say that if the appropriate party does not provide the requested representations, and the matter is not resolved to the practitioner's satisfaction, the practitioner should determine the possible effect on the opinion in the practitioner's report. This approach would be consistent with AU-C section 580, *Written Representations*,<sup>2</sup> when the engaging party and the responsible party are the same and would also converge with ISAE 3000 (Revised) when the engaging party and responsible party are different parties.

**Request for Comment 3**

Please provide your views on the proposed changes to AT-C section 205 as discussed in the preceding section. Specifically, please indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

<sup>2</sup> All AU-C sections can be found in AICPA *Professional Standards*.

### **Proposed Changes That Affect Only Review Engagements**

The following are proposed changes that affect only review engagements:

- *Changes the term* review engagement *to* limited assurance engagement. This proposed change is intended to help differentiate review engagements performed under AR-C section 90, *Review Engagements*,<sup>3</sup> and AU-C section 930, *Interim Financial Statements*, from those performed under the attestation standards. The proposed revision more appropriately describes the nature and extent of the work that may be necessary to obtain limited assurance when the subject matter is nonfinancial.
- *Clarifies the types of procedures a practitioner may perform in a limited assurance engagement.* Although extant AT-C section 210 permits the practitioner to perform procedures other than inquiry and analytical procedures in a review engagement, it is essentially premised on the performance of those procedures. The proposed SSAE more closely harmonizes AT-C section 210 with the limited assurance provisions of ISAE 3000 (Revised) by more explicitly describing the types of procedures a practitioner may perform to obtain limited assurance. With respect to some subject matters, the performance of analytical procedures may not be sufficient or practical; therefore, the nature of the procedures that a practitioner may perform in a limited assurance engagement could be similar to those performed in an examination engagement. In line with that change, the proposed SSAE no longer states that limited assurance procedures (formerly, review procedures) generally are limited to inquiry and analytical procedures.
- *Requires that the practitioner's limited assurance report include a description of the work performed as a basis for the practitioner's conclusion.* In order to assist intended users in understanding the basis for the practitioner's conclusion, the proposed SSAE requires the practitioner to provide an informative summary of the procedures the practitioner performed in the limited assurance engagement. This is consistent with the reporting requirements of ISAE 3000 (Revised).
- *Allows the practitioner to express an adverse conclusion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.* The proposed SSAE revises the extant requirement for the practitioner to withdraw from the engagement when misstatements of the subject matter are both material and pervasive to allow the practitioner to express an adverse conclusion when the practitioner, having obtained sufficient appropriate evidence, concludes that the subject matter is materially and pervasively misstated. The proposed requirement is consistent with ISAE 3000 (Revised), and without such a requirement in extant AT-C section 210, a practitioner engaged to perform a limited assurance engagement in accordance with both AT-C section 210 and ISAE 3000 would not be able to report on subject matter that is both materially and pervasively misstated.

Note: The ARSC has begun a project to revise AR-C section 90 to allow the practitioner to express an adverse conclusion when the practitioner, having obtained sufficient appropriate

---

<sup>3</sup> All AR-C sections can be found in AICPA *Professional Standards*.

evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.

#### **Request for Comment 4**

Please provide your views on the proposed changes to AT-C section 210 as discussed in the preceding section. Specifically, please indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements.

Are the illustrative reports clear and understandable with respect to the differences between a limited assurance engagement and an examination engagement?

What are the potential benefits or implications of requiring the practitioner to include a description of the procedures performed in a limited assurance engagement?

Also, please provide your views regarding whether an adverse conclusion is appropriate in a limited assurance engagement.

#### **Proposed Changes That Affect Only Agreed-Upon Procedures Engagements**

The following are proposed changes that affect only agreed-upon procedures engagements:

- *Responsibility for the procedures performed.* Extant AT-C section 215 is premised on specified parties determining the procedures to be performed by the practitioner and assuming responsibility for the sufficiency of the procedures. The proposed SSAE allows the practitioner, the engaging party, or any other party to develop the procedures. The practitioner would be required to obtain from the engaging party, prior to the issuance of the practitioner's report, a written acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement—but would not be required to obtain acknowledgment about the sufficiency of the procedures. If the practitioner is unable to obtain that acknowledgment, the practitioner would be required to withdraw from the engagement. Although there is no requirement to obtain acknowledgement from parties other than the engaging party, the practitioner is not precluded from doing so, and the proposed SSAE, similar to extant AT-C section 215, includes application guidance for situations in which a practitioner may wish to obtain such acknowledgments from other parties.
- *Revises when the use of a practitioner's agreed-upon procedures report needs to be restricted.* The proposed SSAE would no longer require the practitioner to restrict the use of all agreed-upon procedures reports to the specified parties that assume responsibility for the sufficiency of the procedures. The requirement to restrict the use of the report would apply only if the practitioner is precluded from designing or performing additional procedures, the criteria are not available to users, or the criteria are appropriate only for a limited number of users. Similar to reporting under AT-C sections 205 and 210, a practitioner would have the option of restricting the use of the report to certain parties.

### **Request for Comment 5**

Please provide your views on the proposed changes to AT-C section 215 as discussed in the preceding section. Please indicate whether you believe the proposed changes are understandable and whether the application guidance is helpful in applying the new proposed requirements. Further, please specifically consider the following questions in your response:

1. Is the proposed expansion of the practitioner's ability to perform procedures and report in a procedures-and-findings format beyond that provided by AT-C section 215 needed and in the public interest?
2. Do the proposed revisions to AT-C section 215 appropriately address the objective of providing increased flexibility to the practitioner in performing and reporting on an agreed-upon procedures engagement while retaining the practitioner's ability to perform an agreed-upon procedures engagement as contemplated in extant AT-C section 215?
3. Do you agree with the proposed revision to AT-C section 215, whereby no party would be required to accept responsibility for the sufficiency of the procedures and, instead, the practitioner would be required to obtain the engaging party's acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement?

In addition, conforming changes are proposed to AT-C sections 305, *Prospective Financial Information*; 310, *Reporting on Pro Forma Financial Information*; 315, *Compliance Attestation*; and 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, to reflect the provisions of this proposed SSAE, if issued as a final SSAE. Those conforming changes are presented as an exhibit to this proposed SSAE. The conforming changes reflect the elimination of the requirement for the practitioner to request a written assertion, with the exception of engagements performed under AT-C section 320, which, by the nature of the service, requires an assertion as well as certain other changes to align with the proposed revisions in this proposed SSAE.

### **Issues for Consideration**

#### **Prohibition on the Performance of a Limited Assurance Engagement on Certain Subject Matter**

The proposed SSAE retains paragraph .07 of extant AT-C section 210, which prohibits the practitioner from performing a limited assurance engagement on (a) prospective financial information; (b) internal control; or (c) compliance with requirements of specified laws, regulations, rules, contracts, or grants (prohibited subject matters).

Because a practitioner is permitted to examine these subject matters, and under the proposed SSAE a practitioner may perform procedures similar to those performed in an examination engagement, a question arises about whether the long-standing prohibition on the performance of a limited assurance engagement on those subject matters still remains appropriate.

### **Request for Comment 6**

Should AT-C section 210 of this proposed SSAE continue to prohibit the practitioner from performing a limited assurance engagement on (a) prospective financial information; (b) internal control; or (c) compliance with requirements of specified laws, regulations, rules, contracts, or grants? Please explain the rationale for your response.

### **Effective Date**

If issued as final, the proposed revised AT-C sections would be effective for examinations, limited assurance, and agreed-upon procedures reports dated on or after May 1, 2020.<sup>4</sup> Early implementation would not be permitted.

Early implementation of the proposed revised AT-C sections would not be permitted because of the significant revisions to the reporting requirements for examinations, limited assurance, and agreed-upon procedures reports. If early implementation was permitted, some practitioners would issue reports in accordance with the revised requirements, whereas others would issue reports for the same services in accordance with extant requirements. The resulting diversity in reporting would create confusion in the marketplace and, therefore, would not be in the public interest.

### **Request for Comment 7**

Are respondents supportive of the proposed effective date, specifically the prohibition on early implementation? Please provide reasons for your response.

## **ASB Vote for Issuance of the Exposure Draft**

Fifteen members voted to issue the proposed SSAE as an exposure draft and five members dissented to issuance of the exposure draft. The dissenting members were Jay Brodish, Dora Burzenski, Joseph Cascio, Ilene Kassman, and Steven Morrison. Their reasons for dissenting are included on pages 16–22 of this Explanatory Memorandum. Please consider these dissents as you develop your response.

## **Guide for Respondents**

Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in the exposure draft, it will be helpful for the ASB to be made aware of this view, as well.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available for public inspection at the offices of the AICPA for one year, beginning November 10, 2018. Responses should be sent to Sherry Hazel at Sherry.Hazel@aicpa-cima.com and received by October 11, 2018.

---

<sup>4</sup> This proposed effective date is provisional but will not be earlier than May 1, 2020.

## **Supplement to the Exposure Draft**

To assist respondents in identifying changes and in responding to this request to comment on the proposed SSAE, the Audit and Attest Standards staff has prepared versions of the proposed revised AT-C sections 105, 205, 210, and 215 in track changes format. The document highlights changes from the extant AT-C sections. This staff-prepared supplementary material is available on the AICPA website at

<https://www.aicpa.org/research/exposuredrafts/accountingandauditing.html>. It is for informational purposes only and does not form part of the exposure draft; however, it may be useful for respondents in formulating comments.

## **Comment Period**

The comment period for this exposure draft ends October 11, 2018.

**Auditing Standards Board  
(2018–2019)**

Michael J. Santay, *Chair*  
Monique Booker  
Jay D. Brodish, Jr.  
Dora A. Burzenski  
Joseph S. Cascio  
Lawrence M. Gill  
Audrey A. Gramling  
Gaylen R. Hansen  
Tracy W. Harding  
Jan Herring

Ilene Kassman  
Kristen A. Kociolek  
Alan Long  
Sara Lord  
Marcia L. Marien  
Richard I. Miller  
Daniel D. Montgomery  
Steven Morrison  
Jere G. Shawver  
M. Chad Singletary

**Accounting and Review Services Committee  
(2018–2019)**

Mike Fleming, *Chair*  
Denny F. Ard  
Jimmy E. Burkes  
David A. Johnson

Bruce Nunnally  
Victoria L. Pitkin  
Dustin T. Verity

**Attestation Standards Task Force**

Catherine Schweigel and Denny Ard, *Co-chairs*  
Marne Doman  
David Johnson  
Dan Montgomery

Michael Manspeaker  
Paul Penler  
M. Chad Singletary  
Matthew P. Zaun

The task force gratefully acknowledges the substantial contributions of former task force members David Cotton, James Dalkin, Jeremy Dillard, Jan Herring, Dan Hevia, Sean Hoffman, Eric Holbrook, Deborah Loveless, Andy Mintzer, Rick Reisig, and Beth Schneider.

**AICPA Staff**

Charles E. Landes  
*Vice President*  
*Professional Standards and Services*

Mike Glynn  
*Senior Manager*  
*Audit and Attest Standards—Public*  
*Accounting*

Judith Sherinsky  
*Senior Manager*  
*Audit and Attest Standards—*  
*Public Accounting*

Teighlor March  
*Assistant General Counsel*

## Dissents

### Jay Brodish

I have been supportive of updating the attestation standards to overcome potential limitations and practical challenges, in particular in relation to agreed-upon procedures (AUP) engagements. I also understand and appreciate the ASB's objective of enabling practitioners to provide attestation services when there is market demand for them. However, I am concerned the proposed changes to AT-C section 215, *Agreed-Upon Procedures Engagements*, go beyond what is necessary to alleviate the practical challenges and could cause confusion among practitioners and users of AUP reports.

The current AUP standard has a long history of being successfully used by practitioners, and changes to clarify it came into effect as recently as 2017. In addition, the responses to the September 2017 proposed new standard, *Selected Procedures*, made it clear that there was limited support to change the nature of an existing AUP engagement, but that stakeholders encouraged improvements to the ASB's existing standards to allow a service to be provided where it cannot be provided today (for example, to allow an engagement where only the engaging party agrees to the procedures, as well as permitting a general use report). While changes could be helpful to introduce such flexibility, the proposed amendments are too extensive and eliminate a number of important elements that are still relevant to practitioners' considerations of whether and how to undertake an AUP engagement. This is the primary basis for my dissent on the exposure draft.

An AUP engagement is a valued, well-understood, and widely used service that is often requested by regulators or as part of contractual arrangements. I am concerned that due to the extent of the proposed changes to AT-C section 215, the marketplace will be confused by reference to an "agreed-upon procedures engagement" when the nature of the engagement has fundamentally changed.

I believe the proposed standard should establish an explicit framework to help practitioners consider how to design and conduct an AUP engagement, including how to think about which parameters would be appropriate in the circumstances. Doing so will assist practitioners in considering, for example, whether it is necessary for all parties to the engagement to agree to the sufficiency of the procedures and what the implications are for the practitioner's report for that engagement. In particular, it is important for the proposed standard to set out reporting requirements and illustrative examples that clearly outline the nature of the engagement that was undertaken in the circumstances, so it is clear when the engagement is more akin to a traditional AUP and when it is not. It is important that users of a report have transparency about whether or not the parties to the engagement have agreed to the procedures and take responsibility for their sufficiency.

Finally, I recommend the ASB (or the Attestation Standards Task Force) undertake specific outreach to users of AUP reports to more fully understand the potential consequences of moving ahead with its proposal as currently drafted.

**Dora Burzenski**

My reasons for dissenting to exposure of the proposed Statement on Standards for Attestation Engagements, *Revisions to Statement on Standards for Attestation Engagements No. 18*, Attestation Standards: Clarification and Recodification (the exposure draft), are as follows:

- I fully support exploring the development of standards that nurture or support potential new market opportunities. However, in making amendments to the clarified attestation standards to achieve this goal, the changes proposed no longer explicitly support the long-standing principles underlying attestation engagements, which have been the basis for attestation engagements for many years and are widely known and understood by users. For example:
  - The lack of clarity as to the different types of engagements being offered and the related impact on the work effort results in opaque and potentially misleading reporting, whereby the user of the attestation reports cannot readily understand the procedures that were performed or what evidence was obtained by the practitioner in support of the conclusions or findings included in the report.
  - The impact that the proposed changes will have on what the user understands to be traditional examination, review, and agreed-upon procedures engagements has not been fully explored through formalized outreach. It's not clear that stakeholders will understand the significance of the changes, and there is a risk that stakeholders will fail to comment on the exposure draft, or will comment without the necessary appreciation of the far-reaching consequences of the proposed changes. There is a long-standing acceptance in the market-place as to what an attestation engagement is and what it represents; the proposed changes to the clarified attestation standards up-ends that historical understanding, and it is unclear as to whether users of attestation reports fully comprehend the impact these proposed changes will have on existing attestation engagements.
  - Many entities issue assertion-based reports or statements. In related attestation engagements, obtaining a written assertion from management is critical when determining whether sufficient appropriate evidence has been obtained in order to provide a reasonable basis for the practitioner's opinion. To eliminate from the exposure draft substantially all the requirements that address the concepts of what to do when the engagement is assertion-based, as well as introducing the notion that in such instances a written assertion is no longer considered necessary, will result in confusion between the responsibilities of management and the practitioner as it relates to the assertion, and inconsistencies in practice.
- The integrity of traditional agreed-upon procedures engagements is at risk by the changes proposed in this exposure draft, as an agreed-upon procedures engagement performed under the existing standards would not be readily distinguishable from an engagement performed using the requirements of the exposure draft. There is an active current market in this area, and practitioners, engaging entities, and report users alike are familiar and

practiced in the application of AT-C section 215, *Agreed-Upon Procedures Engagements*. The responses to the September 2017 Proposed Statement on Standards for Attestation Engagements *Selected Procedures* Exposure Draft supported a separate standard for “selected procedures engagements;” they did not support re-purposing AT-C section 215 to be a selected procedures standard. The proposed changes to AT-C section 215 result in a weakening of the principles that underlie a frequently used and well-known engagement, to the detriment of all. Developing new standards to address emerging services, while preserving the integrity of existing standards, would be a solution to this concern.

- There are concerns related to independence that have not been fully resolved, including concerns related to how changes to the attestation standards interact with the AICPA Code of Professional Conduct (the code), and whether the code fully contemplates the types of services being envisioned by the proposed standard and the independence required of the practitioner necessary to perform such services (for example, new services may pose threats to the appearance of independence).

I believe that to expose the draft standard with the issues noted above is not in the public interest and does a disservice to the AICPA’s mission. The ASB should resolve the differences above prior to exposure for public comment. I do not believe that due process has been followed.

My hope is that a high-quality and objective standard is developed and will be something the entire Board can be proud of in that it will enhance the performance and quality of all attestation engagements, result in deliverables that are clearly understood and valued by users, and serves the public interest.

### **Joseph Cascio**

As discussed further below, I am dissenting to the exposure of the proposed statement on standards for attestation engagements because the Attestation Task Force has not presented compelling reasons to support the proposed changes at this time. As noted in the background section of the proposed SSAE, the international standards were considered at the time the clarified attestation standards were being deliberated and issued as final in 2016. In the absence of a post-implementation review of the clarified standards, or changes demanded by the market, I see no reason to propose reversing the decisions of the previous Board. I also disagree with the proposed changes to AT-C section 215. The proposed revisions could have unintended consequences for stakeholders and are contrary to the recommendations of most respondents to the Accounting Review Services Committee’s (ARSC) recent related proposal on selected procedures engagements.

### **Changes to AT-C Sections 105, 205, and 210**

The background to this proposal notes that one reason for the proposed changes is to further converge the attestation standards with ISAE 3000 (Revised). When the attestation standards were clarified by the ASB in 2016, the foundation for AT-C sections 105, 205, and 210 was the IAASB’s ISAE 3000 and ISAE 3410. Many of the paragraphs in the extant AT-C sections were converged with the related paragraphs in the ISAE 3000. However, the ASB considered and

rejected certain aspects of ISAE 3000 at that time, for example, allowing the practitioner to perform an examination or review engagement without having to request a written assertion from the responsible party. It's been only a year since the clarified standards became effective and there's been no post-implementation review to justify the proposed changes, including all of the training and updates to firm policies and practices that practitioners would need to implement if the proposed standard is finalized as exposed.

Some proponents of this proposed SSAE's amendments to the examination and review standards believe it's important because it provides practitioners with greater flexibility to serve clients who are unable, or do not have the competencies, to measure or evaluate specified subject matter against criteria.

Under current standards, measuring or evaluating the subject matter is the responsibility of the responsible party (that is, someone other than the practitioner) and supported by that party's assertion(s). In a direct engagement, the measuring/evaluating steps may be the responsibility of the practitioner or a combination of the responsible party and the practitioner.

Direct engagements and the removal of certain required written representations from the responsible party potentially increases the attestation risk for practitioners. However, the proposal does not expand the application guidance in AT-C section 105 to help practitioners understand the potential effect of such changes on the nature, timing, and extent of procedures necessary to obtain sufficient appropriate evidence. I believe these considerations, as well as questions raised by certain Board members about independence considerations related to direct engagements, are matters that should have been more thoroughly vetted prior to approving the proposed amendments for exposure.

### **Changes to AT-C Section 215**

I support the AICPA's initiative to develop a new type of attestation service that would provide more opportunities for companies to enhance the value of reports they provide to customers, employees, suppliers, and other stakeholders. I believe there is significant market demand for this type of service. However, I believe that the ASB should issue a separate selected procedures attestation standard, as the ARSC proposed in September 2017 and as most respondents supported. Even respondents that opposed a separate standard cautioned about making any changes to AT-C section 215 that could impact the AUPs performed today. Because the proposal would eliminate many of the requirements and application guidance that currently apply to AUP engagements, I believe it has gone too far. For example, the proposal would not prohibit the practitioner from taking responsibility for the sufficiency of procedures performed, which would appear to require a conclusion that the procedures are appropriate for the user's purpose. Such a conclusion would be inconsistent with an engagement where no assurance is obtained.

I recommend that those interested in responding to the Board's proposed revisions to AT-C section 215 also consider the questions included in the ARSC's proposed SSAE, *Selected Procedures*, including the feedback received from respondents.

## **Ilene Kassman**

The Board set out to amend the attestation standards to provide practitioners greater flexibility, particularly regarding the practitioner's ability to measure the subject matter against criteria without requiring management to do so first. While I support the project objective, I am dissenting to the public exposure of the proposed amendments. I believe that the Board should further deliberate the following areas prior to exposure:

- Issues arising from convergence with ISAE 3000
- Foundational requirements for AUP engagements
- Practice challenges

Not resolving the areas will result in lower quality standards, which is contrary to the Board's mission and objective to provide attestation standards that inspire public trust, harmonize with international standards, and respond timely to the need for guidance and communicating such guidance clearly to practitioners. Consideration of practice challenges during the evaluation of the comments letters is not fair to or in the best interest of the practitioners if the issues have not been debated in public meetings. The areas of concern supporting my dissent follow.

### *Issues arising from convergence with ISAE 3000*

In my view, the Board has not adequately debated the task force's recommendations as to which aspects of ISAE 3000 are not being harmonized at this time, and other changes that aren't harmonized enough. This will cause confusion for practitioners. Additionally, certain changes made to conform to ISAE 3000 have broader impacts to the attestation standards and other standards that the Board has not yet fully deliberated. Specific examples of this are:

- *Change of term "review" to "limited assurance."* This Board and ARSC have not fully deliberated whether conforming amendments to other AICPA standards (for example, interim review and SSARS) are necessary to avoid practitioner and public confusion in this market as a result of this change. The new term will likely create confusion in the U.S. market as this term is different from that used in PCAOB standards for both interim reviews and attestation.
- *Roles of parties to the engagement.* In the current attestation standards, the roles of engaging party, responsible party, and specified users are defined as they are because, in many circumstances, the role dictates specific requirements. I do not fundamentally object to the use of "appropriate party" as a drafting convention to harmonize with ISAE 3000. However, the extent of changes to eliminate reference to specific roles, including changes to requirements such as obtaining representations from the responsible party, have diluted the concept of a responsible party. For example, in proposed amendments, it is practitioner judgment as to the appropriate party from whom to request a representation letter. If the engaging party is not the responsible party, there are no longer clear requirements as to when it is appropriate for the responsible party to not provide a written representation. Proposed application guidance states that if a responsible party is required by law or regulation to have an attest engagement performed or the responsible party doesn't agree with having an attest engagement performed, then it would be acceptable

for the responsible party to not provide a written representation. This guidance fundamentally seems to contradict the importance of identifying a “responsible party,” even more so as it is a fundamental principle of independence.

- *Independence.* There are unresolved questions regarding the sufficiency of guidance regarding safeguards of threats to independence when the practitioner is also assisting with or developing the criteria, subject matter, or is the measurer or evaluator of the subject matter against the criteria. While the Board is not responsible for the independence standards, the various standard-setting bodies within the AICPA should appear to be working in coordination for the best interests of the practitioners. Practitioners should have clear guidance on what activities specifically allowed by the proposed amendments could impair the practitioner’s independence. Moreover, ISAE 3000 requires that the measurer/preparer be identified in the report for transparency regarding how the practitioner was involved with the subject matter so that users may consider the practitioner’s objectivity. This requirement from ISAE 3000 was not adequately debated, either in the debate on convergence or in the discussion of independence.

*Foundational requirements for AUP engagements*

Conceptually, I agree with an overarching project objective to amend AUP standard to modernize requirements to allow for the fluid development of procedures and to permit not restricting the use of the report in certain circumstances. I am dissenting because I believe many of the current foundational attestation requirements should be retained as requirements, with clear wording that tells the practitioner when the requirement is necessary in the circumstances. The proposed amendments moved some of these requirements to application guidance, indicating that the practitioner could choose to do them. It always has been true that a practitioner could do more than the requirements, which are designed to be the actions necessary to achieve the objectives of the standards and protect the public interest. I do not believe that the Board has spent adequate time deliberating changes to areas that were considered important enough to be made or retained as requirements during the recent clarification project.

*Other matters not fully discussed could result in further amendments*

In my view, the Board did not adequately debate other practice challenges that often arise from applying the extant AUP standards that may have resulted in additional proposed amendments if further explored. For example, the Board briefly discussed but did not conclude on:

- Whether more specific guidance or examples of the identification of the responsible party for the subject matter is needed;
- Whether it is potentially misleading to perform agreed-upon procedures on draft material that subsequently is revised by management without the practitioner/management specifically disclosing that earlier versions of reports or schedules existed; and
- Whether clarification is needed to assist a practitioner in determining when an engagement is required to be performed in accordance with AT-C section 315.

**Steven Morrison**

Mr. Morrison dissents from the issuance of this exposure draft because he believes the exposure draft, particularly the AT-C section 215 portion, has not been sufficiently refined. He believes in its current form, the exposure draft will be overwhelmingly burdensome and confusing to practitioners and confusing to engaging parties and users. Such confusion can lower quality, cause market confusion, and not be in the public interest. Mr. Morrison believes further deliberation on certain points and possible refinement of AT-C section 215, in particular, could lead to a more workable standard that, then, may be ready for exposure.

## Exposure Draft

### Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements*

#### CONTENTS

	<b>Paragraph</b>
<b>Introduction</b> .....	01–05
Relationship of Attestation Standards to Quality Control Standards.....	06–07
<b>Effective Date</b> .....	08
<b>Objectives</b> .....	09
<b>Definitions</b> .....	10–11
<b>Requirements</b>	
Conduct of an Attestation Engagement in Accordance With the Attestation Standards .....	12–22
Acceptance and Continuance .....	23
Preconditions for an Attestation Engagement.....	24–28
Acceptance of a Change in the Terms of the Engagement .....	29–30
Using the Work of Another Practitioner .....	31
Quality Control .....	32–35
Engagement Documentation.....	36–43
Engagement Quality Control Review .....	44
Professional Skepticism and Professional Judgment.....	45
<b>Application and Other Explanatory Material</b>	
Introduction.....	A1–A3
Relationship of Attestation Standards to Quality Control .....	A4–A6
Definitions.....	A7–A19
Conduct of an Attestation Engagement in Accordance With the Attestation Standards .....	A20–A34
Preconditions for an Attestation Engagement.....	A35–A58
Acceptance of a Change in the Terms of the Engagement .....	A59–A60
Using the Work of Another Practitioner .....	A61–A62
Quality Control .....	A63–A66
Engagement Documentation.....	A67–A68
Engagement Quality Control Review .....	A69
Professional Skepticism and Professional Judgment.....	A70–A78

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Introduction</b></p> <p><b>.01</b> 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, limited assurance, or agreed-upon procedures report on subject matter or an assertion about subject matter that is the responsibility of another party. (Ref: par. .A1)</p> <p><b>.02</b> The purpose of an attestation engagement is to provide users of information with an opinion, conclusion, or findings regarding subject matter or an assertion about the subject matter, as measured against suitable and available criteria. (An examination engagement results in an opinion, a limited assurance engagement results in a conclusion, and an agreed-upon procedures engagement results in findings.) The practitioner's report is intended to enhance the degree of confidence that intended users can place in the subject matter.</p> <p><b>.03</b> 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>	<p><b>Introduction (Ref: par. .01 and .03)</b></p> <p><b>.A1</b> The subject matter of an attestation engagement may take many forms, including the following:</p> <ul style="list-style-type: none"> <li>a. Historical or prospective performance or condition, for example, historical or prospective financial information, performance measurements, and backlog data</li> <li>b. Physical characteristics, for example, narrative descriptions or square footage of facilities</li> <li>c. Historical events, for example, the price of a market basket of goods on a certain date</li> <li>d. Analyses, for example, break-even analyses</li> <li>e. Systems and processes, for example, internal control</li> <li>f. Behavior, for example, corporate governance, compliance with laws and regulations, and human resource practices</li> </ul> <p>The subject matter may be as of a point in time or for a period of time.</p> <p><b>.A2</b> Because performance audits performed pursuant to <i>Government Auditing Standards</i> do not require a practitioner's examination, limited assurance, or agreed-upon procedures report as described in this section, this section does not apply to performance audits, unless the</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>a.</i> Statements on Auditing Standards  <i>b.</i> Statements on Standards for Accounting and Review Services  <i>c.</i> Statements on Standards for Tax Services  <i>d.</i> 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>	<p>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><b>.A3</b> Examples of litigation services include the following circumstances:</p> <p><i>a.</i> The service comprises being an expert witness.  <i>b.</i> The service comprises being a trier of fact or acting on behalf of one.  <i>c.</i> The practitioner's work under the rules of the proceedings is subject to detailed analysis and challenge by each party to the dispute.  <i>d.</i> The practitioner is engaged by an attorney to do work that will be protected by the attorney's work product or attorney-client privilege, and such work is not intended to be used for other purposes.</p>
<p><b>.04</b> 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.</p>	
<p><b>Compliance With the Attestation Standards</b></p>	
<p><b>.05</b> 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.</p>	

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

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<b>Relationship of Attestation Standards to Quality Control Standards</b>	<b>Relationship of Attestation Standards to Quality Control Standards (Ref: par. .06)</b>
<p><b>.06</b> Quality control systems, policies, and procedures are the responsibility of the firm in conducting its attestation practice. Under QC section 10, <i>A Firm's System of Quality Control</i>,<sup>†</sup> the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that<sup>1</sup> (Ref: par. .A4–.A6 )</p> <ul style="list-style-type: none"> <li>a. the firm and its personnel comply with professional standards and applicable legal and regulatory requirements and</li> <li>b. practitioners' reports issued by the firm are appropriate in the circumstances.</li> </ul>	<p><b>.A4</b> The nature and extent of a firm's quality control policies and procedures depend on factors such as its size, the degree of operating autonomy allowed its personnel and its practice offices, the nature of its practice, its organization, and appropriate cost-benefit considerations.</p> <p><b>.A5</b> 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><b>.A6</b> 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><b>.07</b> 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>	

<sup>†</sup> QC sections can be found in AICPA *Professional Standards*.

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

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<b>Effective Date</b>	
.08 If issued as final, this section will be effective for practitioners' reports dated on or after May 1, 2020.‡ Early implementation is not permitted.	
<b>Objectives</b>	
.09 In conducting an attestation engagement, the overall objectives of the practitioner are to do the following: <ul style="list-style-type: none"> <li>a. Apply the requirements relevant to the attestation engagement.</li> <li>b. Report on the subject matter or assertion and communicate as required by the applicable AT-C section, in accordance with the results of the practitioner's procedures.</li> <li>c. Implement quality control procedures at the engagement level that provide the practitioner with reasonable assurance that the attestation engagement complies with professional standards and applicable legal and regulatory requirements.</li> </ul>	
<b>Definitions</b>	<b>Definitions</b>
.10 For purposes of the attestation standards, the following terms have the meanings attributed as follows: <p><b>Assertion.</b> Any declaration or set of declarations about whether the subject matter is in accordance with (or based on) the criteria.</p> <p><b>Attestation engagement.</b> An examination, limited assurance, or agreed-upon procedures engagement performed under the attestation standards related to subject matter or an assertion that is the responsibility of another party. The following are the three types of attestation engagements:</p>	

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

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><i>a. Examination engagement.</i> An attestation engagement in which the practitioner obtains reasonable assurance. Reasonable assurance is obtained when the practitioner has obtained sufficient appropriate evidence to reduce attestation risk to an acceptably low level as the basis for 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><i>b. Limited assurance engagement.</i> An attestation engagement in which the practitioner obtains limited assurance. Limited assurance is obtained when the practitioner has obtained sufficient appropriate evidence to reduce attestation risk to a level that is greater than it is for an examination engagement but appropriate as the basis for the practitioner's 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><i>c. Agreed-upon procedures engagement.</i> 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><i>Examination Engagement (Ref: par. .10)</i></p> <p><b>.A7</b> The practitioner obtains the same level of assurance in an examination engagement as the practitioner does in a financial statement audit.</p> <p><i>Limited Assurance Engagement (Ref: par. .10)</i></p> <p><i>The Nature, Timing, and Extent of Procedures</i></p> <p><b>.A8</b> Because the level of assurance obtained in a limited assurance engagement is lower than in an examination engagement, the procedures the practitioner performs in a limited assurance 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 limited assurance engagement and an examination include the following:</p> <p style="margin-left: 40px;"><i>a.</i> The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the practitioner may judge it to be appropriate in the circumstances of a particular limited assurance 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>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p>b. In a limited assurance 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).</p> <p>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 limited assurance 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.</p> <p>d. When significant fluctuations, relationships, or differences are identified, appropriate evidence in a limited assurance engagement may be obtained by making inquiries and considering responses received in the light of known engagement circumstances.</p> <p>e. When undertaking analytical procedures in a limited assurance 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.</p> <p><b>.A9</b> A limited assurance engagement performed in accordance with the attestation standards may be referred to as a <i>review</i>. The practitioner obtains the same level of assurance in a limited assurance engagement performed in accordance with the attestation standards as the practitioner does in a review of financial statements.</p> <p><b><i>Attestation Risk (Ref: par. .10)</i></b></p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Attestation risk.</b> In an examination or limited assurance 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)</p>	<p><b>.A10</b> 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><b>.A11</b> 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"> <li>a. Risks that the practitioner does not directly influence, which consist of               <ul style="list-style-type: none"> <li>i. the susceptibility of the subject matter to a material misstatement before consideration of any related controls (inherent risk) and</li> <li>ii. the risk that a material misstatement that could occur in the subject matter will not be prevented, or detected and corrected, on a timely basis by the appropriate party's internal control (control risk)</li> </ul> </li> <li>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)</li> </ul> <p><b>.A12</b> 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"> <li>• 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</li> </ul>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p>about an entity's performance than when it relates to information about the existence of a physical condition.)</p> <ul style="list-style-type: none"> <li>• The type of engagement being performed (For example, in a limited assurance 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.)</li> </ul> <p><b>.A13</b> The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement.</p> <p><b>.A14</b> 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 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"> <li>• The use of selective testing</li> <li>• The inherent limitations of internal control</li> <li>• The fact that much of the evidence available to the practitioner is persuasive, rather than conclusive</li> <li>• The use of professional judgment in gathering and evaluating evidence and forming conclusions based on that evidence</li> <li>• In some cases, the characteristics of the subject matter when evaluated or measured against the criteria</li> </ul> <p><b>.A15</b> In a limited assurance engagement, attestation risk is greater than it is in an examination engagement. The types of procedures</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Criteria.</b> The benchmarks used to measure or evaluate the subject matter. (Ref: par. .A17)</p>	<p>performed to obtain limited assurance are less extensive than they are in an examination engagement.</p> <p><b>.A16</b> 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><b>Criteria (Ref: par. .10)</b></p> <p><b>.A17</b> 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 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 for 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 limited assurance engagement and vice versa.</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Documentation completion date.</b> The date on which the practitioner has assembled for retention a complete and final set of documentation in the engagement file.</p> <p><b>Engagement circumstances.</b> The broad context defining the particular engagement, which includes the terms of the engagement; whether it is an examination, limited assurance, or agreed-upon procedures engagement; the characteristics of the subject matter; the criteria; the information needs of the intended users; relevant characteristics of the responsible party and, if different, the engaging party and their environment; and other matters, for example, events, transactions, conditions and practices, and relevant laws and regulations, that may have a significant effect on the engagement.</p> <p><b>Engagement documentation.</b> The record of procedures performed, relevant evidence obtained, and, in an examination or limited assurance engagement, conclusions reached by the practitioner, or, in an agreed-upon procedures engagement, findings of the practitioner. (Terms such as <i>working papers</i> or <i>workpapers</i> are also sometimes used).</p> <p><b>Engagement partner.</b> 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><b>Engagement team.</b> 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</p>	

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>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><b>Engaging party.</b> The party that engages the practitioner to perform the attestation engagement. (Ref: par. .A18)</p> <p><b>Evidence.</b> Information used by the practitioner in arriving at the opinion, conclusion, or findings on which the practitioner's report is based.</p> <p><b>Firm.</b> 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><b>Fraud.</b> An intentional act involving the use of deception that results in a misstatement in the subject matter or the assertion.</p> <p><b>General use.</b> Use of a practitioner's report that is not restricted to specified parties.</p> <p><b>Internal audit function.</b> 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.</p> <p><b>Interpretive publications.</b> Interpretations of the Statements on Standards for Attestation Engagements (SSAEs), exhibits to SSAEs,</p>	<p><b><i>Engaging Party (Ref: par. .10)</i></b></p> <p><b>.A18</b> 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>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>guidance on attestation engagements included in AICPA audit and accounting guides, and AICPA attestation Statements of Position,<sup>  </sup> to the extent that those statements are applicable to such engagements.</p> <p><b>Misstatement.</b> 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>.</p> <p><b>Network firm.</b> 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.</p> <p><b>Noncompliance with laws or regulations.</b> 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.</p> <p><b>Other attestation publications.</b> 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,</p>	

<sup>||</sup> Attestation Statements of Position are codified in the AUD sections in AICPA *Professional Standards*.

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>textbooks, guidebooks, attestation programs, and checklists; and other attestation publications from state CPA societies, other organizations, and individuals.</p> <p><b>Other practitioner.</b> 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.</p> <p><b>Practitioner.</b> 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 <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><b>Practitioner's specialist.</b> 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><b>Professional judgment.</b> The application of relevant training, knowledge, and experience within the context provided by attestation and ethical standards in making informed decisions about the courses</p>	

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>of action that are appropriate in the circumstances of the attestation engagement.</p> <p><b>Professional skepticism.</b> 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><b>Reasonable assurance.</b> A high, but not absolute, level of assurance.</p> <p><b>Report release date.</b> The date on which the practitioner grants the engaging party permission to use the practitioner's report.</p> <p><b>Responsible party.</b> The party responsible for the subject matter, which is a party other than the practitioner.</p> <p><b>Specified party.</b> The intended users to whom use of the written practitioner's report is limited.</p> <p><b>Subject matter.</b> The phenomenon that is measured or evaluated by applying criteria.</p>	
<p><b>.11</b> For the purposes of the attestation standards, references to the <i>appropriate party</i> should be read hereafter as the responsible party, the engaging party, or both, as appropriate. (Ref: par. .A19)</p>	<p><b><i>Appropriate Party (Ref: par. .11)</i></b></p> <p><b>.A19</b> 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</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	personnel or those charged with governance with whom to communicate may require the exercise of professional judgment.
<b>Requirements</b>	
<b>Conduct of an Attestation Engagement in Accordance With the Attestation Standards</b>	<b>Conduct of an Attestation Engagement in Accordance With the Attestation Standards</b>
<i>Complying With AT-C Sections That Are Relevant to the Engagement</i>	<i>Complying With AT-C Sections That Are Relevant to the Engagement (Ref: par. .14)</i>
.12 When performing an attestation engagement, the practitioner should comply with the following: <ul style="list-style-type: none"> <li>a. This section</li> <li>b. AT-C section 205, <i>Examination Engagements</i>, AT-C section 210, <i>Limited Assurance Engagements</i>, or AT-C section 215, <i>Agreed-Upon Procedures Engagements</i>, as applicable</li> <li>c. 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</li> </ul>	
.13 The practitioner should not represent compliance with this or any other AT-C section unless the practitioner has complied with the 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. .A20–.A21)	.A20 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, limited assurance, 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.

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p><b>.A21</b> 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>
<p><b>.15</b> 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. .A22–.A27)</p>	<p><b>.A22</b> 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><b>.A23</b> Introductory material may include, as needed, such matters as an explanation of the following:</p> <ul style="list-style-type: none"> <li>• The purpose and scope of the AT-C section, including how the AT-C section relates to other AT-C sections</li> <li>• The subject matter of the AT-C section</li> <li>• The respective responsibilities of the practitioner and others regarding the subject matter of the AT-C section</li> <li>• The context in which the AT-C section is set</li> </ul> <p><b>.A24</b> 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"> <li>a. explain more precisely what a requirement means or is intended to cover and</li> <li>b. include examples of procedures that may be appropriate in the circumstances.</li> </ol>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<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><b>.A25</b> The practitioner is required by paragraph .15 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><b>.A26</b> An AT-C section may include, in a separate section 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><b>.A27</b> 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>
<b><i>Complying With Relevant Requirements</i></b>	<b><i>Complying With Relevant Requirements (Ref: par. .17)</i></b>
<b>.16</b> Subject to paragraph .20, the practitioner should comply with each requirement of the AT-C sections that is relevant to the engagement being	

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>performed, including any relevant subject matter AT-C section, unless, in the circumstances of the engagement, either of the following applies:</p> <p style="margin-left: 40px;"><i>a.</i> The entire AT-C section is not relevant. <i>b.</i> The requirement is not relevant because it is conditional, and the condition does not exist.</p>	
<p><b>.17</b> 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. .A28)</p>	<p><b>.A28</b> 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 attestation standards.</p>
<b><i>Practitioner’s Report Prescribed by Law or Regulation</i></b>	<b><i>Practitioner’s Report Prescribed by Law or Regulation (Ref: par. .18)</i></b>
<p><b>.18</b> 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)</p>	<p><b>.A29</b> Some report forms can be made acceptable by inserting additional wording to include the elements required by AT-C sections 205, 210, and 215.<sup>2</sup> 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.</p>
<b><i>Defining Professional Requirements in the Attestation Standards</i></b>	

<sup>2</sup> Paragraphs .62–.65 of AT-C section 205, *Examination Engagements*, paragraphs .46–.49 of AT-C section 210, *Limited Assurance Engagements*, and paragraphs .32–.33 of AT-C section 215, *Agreed-Upon Procedures Engagements*.

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.19</b> 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:</p> <ul style="list-style-type: none"> <li>• <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.</li> <li>• <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 discussed in paragraph .20. The attestation standards use the word <i>should</i> to indicate a presumptively mandatory requirement.</li> </ul>	
<b><i>Departure From a Relevant Requirement</i></b>	<b><i>Departure From a Relevant Requirement (Ref: par. .20)</i></b>
<p><b>.20</b> 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)</p>	<p><b>.A30</b> Paragraph .54 prescribes documentation requirements when the circumstances described in paragraph .20 occur.</p>
<b><i>Interpretive Publications</i></b>	<b><i>Interpretive Publications (Ref: par. .21)</i></b>
<p><b>.21</b> The practitioner should consider applicable interpretive publications in planning and performing the attestation engagement. (Ref: par. .A31)</p>	<p><b>.A31</b> <i>Interpretive publications</i> are not attestation standards. Interpretive publications are recommendations on the application of the attestation standards in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the relevant senior</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	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.
<b><i>Other Attestation Publications</i></b>	<b><i>Other Attestation Publications (Ref: par. .22)</i></b>
<b>.22</b> 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–.A34)	<p><b>.A32</b> Other attestation publications have no authoritative status; however, they may help the practitioner understand and apply the attestation standards. The practitioner is not expected to be aware of the full body of other attestation publications.</p> <p><b>.A33</b> Although the practitioner determines the relevance of these publications in accordance with paragraph .22, 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><b>.A34</b> 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>
<b>Acceptance and Continuance</b>	
<b>.23</b> 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.	
<b>Preconditions for an Attestation Engagement</b>	<b>Preconditions for an Attestation Engagement (Ref: par. .24–.25)</b>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.24</b> 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. .A35–.A36)</p>	<p><b>.A35</b> 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 independence not specifically detailed elsewhere.</p> <p><b>.A36</b> When a member performs nonattest services for an attest client (for example, preparation of the subject matter), 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><b>.25</b> 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> <p style="margin-left: 40px;"><i>a.</i> Whether the roles and responsibilities of the appropriate parties are suitable in the circumstances (Ref: par. .A37–.A38)</p>	<p><b><i>Roles and Responsibilities (Ref: par. .25)</i></b></p> <p><b>.A37</b> 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>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>b. Whether the responsible party is a party other than the practitioner and takes responsibility for the subject matter in accordance with (or based on) the criteria (Ref: par. .A38–.A39)</p> <p>c. Whether the engagement exhibits all the following characteristics:</p> <p>i. The subject matter is appropriate. (Ref: par. .A40–.A45)</p>	<p><b>.A38</b> 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 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><b>.A39</b> 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><b><i>Appropriateness of Subject Matter (Ref: par. .25ci)</i></b></p> <p><b>.A40</b> 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><b>.A41</b> An appropriate subject matter</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p style="margin-left: 40px;"> <i>a.</i> is identifiable and capable of consistent measurement or evaluation against the criteria and  <i>b.</i> can be subjected to procedures for obtaining sufficient appropriate evidence to support an opinion, conclusion, or findings, as appropriate.         </p> <p><b>.A42</b> If the subject matter is not appropriate for an examination engagement, it also is not appropriate for a limited assurance engagement.</p> <p><b>.A43</b> 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> <p style="margin-left: 40px;"> <i>a.</i> Precision with which the subject matter can be measured or evaluated against criteria  <i>b.</i> The persuasiveness of available evidence         </p> <p><b>.A44</b> 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><b>.A45</b> In some cases, the attestation engagement may relate to only one part of a broader subject matter. For example, the practitioner may be engaged to examine one aspect of an entity's contribution to sustainable development, such as the programs run by the entity that have positive environmental outcomes, and may be aware that the practitioner has not been engaged to examine more significant</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<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. .A46–.A56)</p>	<p>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><b><i>Suitable and Available Criteria (Ref: par. .25cii)</i></b></p> <p><b>.A46</b> Suitable criteria exhibit all the following characteristics:</p> <ul style="list-style-type: none"> <li>• <i>Relevance.</i> Criteria are relevant to the subject matter.</li> <li>• <i>Objectivity.</i> Criteria are free from bias.</li> <li>• <i>Measurability.</i> Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.</li> <li>• <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.</li> </ul> <p>The relative importance of each characteristic to a particular engagement is a matter of professional judgment.</p> <p><b>.A47</b> Criteria can be developed in a variety of ways. For example, they may be</p> <ul style="list-style-type: none"> <li>• embodied in laws or regulations.</li> <li>• issued by authorized or recognized bodies of experts that follow a transparent due process.</li> <li>• developed collectively by a group that does not follow a transparent due process.</li> <li>• published in scholarly journals or books.</li> </ul>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<ul style="list-style-type: none"> <li>• developed for sale on a proprietary basis.</li> <li>• specifically designed for the purpose of measuring, evaluating, or disclosing the subject matter or assertion in the particular circumstances of the engagement.</li> </ul> <p>How criteria are developed may affect the work that the practitioner carries out to assess their suitability.</p> <p><b>.A48</b> 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><b>.A49</b> 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><b>.A50</b> Criteria may be established or developed by the engaging party, the responsible party, industry associations, or other groups that do not follow due process procedures or do not as clearly represent the public interest. The practitioner's determination of whether such criteria are suitable is based on the characteristics described in paragraph .A46.</p> <p><b>.A51</b> 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>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p><b>.A52</b> 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><b>.A53</b> 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><b>.A54</b> 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, an assertion, or a practitioner's report that is misleading to the intended users. It is desirable for the intended users or the engaging party to acknowledge that specifically developed criteria are suitable for the intended users' purposes. The absence of such an 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><b>.A55</b> Criteria need to be available to the intended users to allow them to understand how the subject matter has been measured or evaluated.</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<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. .A57–.A58)</p> <ul style="list-style-type: none"> <li>(1) access to all information of which the appropriate party is aware that is relevant to the measurement, evaluation, or disclosure of the subject matter;</li> <li>(2) access to additional information that the practitioner may request from the appropriate party for the purpose of the engagement; and</li> </ul>	<p>Criteria are made available to the intended users in one or more of the following ways:</p> <ul style="list-style-type: none"> <li>a. Publicly</li> <li>b. Through inclusion in a clear manner in the presentation of the subject matter</li> <li>c. Through inclusion in a clear manner in the practitioner's report</li> <li>d. By general understanding, for example, the criterion for measuring time in hours and minutes</li> <li>e. 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</li> </ul> <p><b>.A56</b> When criteria are available only to specified parties, AT-C sections 205, 210, and 215 require a statement restricting the use of the practitioner's report.<sup>3</sup></p> <p><i>Access to Evidence (Ref: par. .25ciii)</i></p> <p><b>.A57</b> 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><b>.A58</b> The quantity or quality of available evidence is affected by both of the following:</p>

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

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>(3) unrestricted access to persons within the appropriate party from whom the practitioner determines it necessary to obtain evidence.</p> <p>iv. The practitioner's opinion, conclusion, or findings, in the form appropriate to the engagement, are to be contained in a written practitioner's report.</p>	<p>a. The characteristics of the subject matter, for example, less objective evidence might be expected when the subject matter is future-oriented, rather than historical</p> <p>b. Other circumstances, such as when evidence that could reasonably be expected to exist is not available, for example, because of the timing of the practitioner's appointment, an entity's document retention policy, inadequate information systems, or a restriction imposed by the responsible or engaging party</p>
<p><b>.26</b> If the preconditions in paragraphs .24–.25 are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue.</p>	
<p><b>.27</b> The practitioner should accept an attestation engagement only when the following apply:</p> <p>a. The practitioner has no reason to believe that relevant ethical requirements, including independence, will not be satisfied.</p> <p>b. The practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph .31).</p> <p>c. The practitioner has determined that the engagement to be performed meets all the preconditions for an attestation engagement (see also paragraphs .24–.25).</p> <p>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>	
<p><b>.28</b> 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>	

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><i>a.</i> Whether the matter can be resolved</p> <p><i>b.</i> Whether it is appropriate to continue with the engagement</p> <p><i>c.</i> 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</p>	
<b>Acceptance of a Change in the Terms of the Engagement</b>	<b>Acceptance of a Change in the Terms of the Engagement (Ref: par. .29)</b>
<p><b>.29</b> 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. .A59–.A60)</p>	<p><b>.A59</b> A change in circumstances that affects the requirements of the responsible party or, if different, the engaging party, or a misunderstanding concerning the nature of the engagement originally requested, may be considered reasonable justification for requesting a change in the engagement, for example, from an attestation engagement to a consulting engagement or from an examination engagement to a limited assurance 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 limited assurance 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><b>.A60</b> 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><b>.30</b> If the practitioner concludes, based on the practitioner’s professional judgment, that there is reasonable justification to change the terms of the</p>	

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>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 limited assurance 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> <ul style="list-style-type: none"> <li>a. the original engagement,</li> <li>b. any procedures that may have been performed, or</li> <li>c. scope limitations that resulted in the changed engagement.</li> </ul>	
<p><b>Using the Work of an Other Practitioner</b></p> <p><b>.31</b> When the practitioner expects to use the work of an other practitioner, the practitioner should do the following: (Ref: par. .A61–.A62)</p> <ul style="list-style-type: none"> <li>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.</li> <li>b. Obtain an understanding of the other practitioner's professional competence.</li> <li>c. Communicate clearly with the other practitioner about the scope and timing of the other practitioner's work and findings.</li> <li>d. If assuming responsibility for the work of the other practitioner, be involved in the work of the other practitioner.</li> <li>e. Evaluate whether the other practitioner's work is adequate for the practitioner's purposes.</li> <li>f. Determine whether to make reference to the other practitioner in the practitioner's report.</li> </ul>	<p><b>Using the Work of an Other Practitioner (Ref: par. .31)</b></p> <p><b>.A61</b> The practitioner is responsible for</p> <ul style="list-style-type: none"> <li>a. the direction, supervision, and performance of the engagement in compliance with professional standards, applicable regulatory and legal requirements, and the firm's policies and procedures and</li> <li>b. determining whether the practitioner's report that is issued is appropriate in the circumstances.</li> </ul> <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><b>.A62</b> 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</p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	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.
<b>Quality Control</b>	<b>Quality Control</b>
<i>Assignment of the Engagement Team and the Practitioner's Specialists</i>	<i>Assignment of the Engagement Team and the Practitioner's Specialists (Ref: par. .32a–bi)</i>
<p><b>.32</b> The engagement partner should be satisfied that the following apply:</p> <p><i>a.</i> 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. .A63–.A64)</p> <p><i>i.</i> perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and</p> <p><i>ii.</i> enable the issuance of a practitioner's report that is appropriate in the circumstances.</p> <p><i>b.</i> To an extent that is sufficient to accept responsibility for the opinion, conclusion, or findings on the subject matter or assertion, the engagement team will be able to be involved in the work of</p>	<p><b>.A63</b> The practitioner may obtain knowledge about the specific subject matter to which the procedures are to be applied through formal or continuing education, practical experience, or consultation with others.</p> <p><b>.A64</b> 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"> <li>• understanding of, and practical experience with, engagements of a similar nature and complexity through appropriate training and participation.</li> <li>• understanding of professional standards and applicable legal and regulatory requirements.</li> <li>• technical expertise, including expertise with relevant IT and specialized areas relevant to the subject matter.</li> <li>• knowledge of relevant industries in which the entity operates.</li> <li>• ability to apply professional judgment.</li> <li>• understanding of the firm's quality control policies and procedures.</li> </ul>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<ul style="list-style-type: none"> <li>i. a practitioner's external specialist, when the work of that specialist is to be used, and (Ref: par. .A65)</li> <li>ii. an other practitioner, when the work of that practitioner is to be used.</li> <li>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.</li> <li>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.</li> </ul>	<p><b>.A65</b> 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>
<b><i>Leadership Responsibilities for Quality in Attestation Engagements</i></b>	<b><i>Leadership Responsibilities for Quality in Attestation Engagements (Ref: par. .33c)</i></b>
<p><b>.33</b> 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"> <li>a. Appropriate procedures being performed regarding the acceptance and continuance of client relationships and engagements</li> <li>b. The engagement being planned and performed (including appropriate direction and supervision) to comply with professional standards and applicable legal and regulatory requirements</li> <li>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)</li> <li>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</li> </ul>	<p><b>.A66</b> 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>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>e.</i> Appropriate consultation being undertaken by the engagement team contentious matters</p>	
<p><b>.34</b> 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 action.</p>	
<p><b>.35</b> 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.</p>	
<p><b>Engagement Documentation</b></p>	<p><b>Engagement Documentation (Ref: par. .36–.37)</b></p>
<p><b>.36</b> The practitioner should prepare engagement documentation on a timely basis. (Ref: par. .A67)</p>	<p><b>.A67</b> Documentation prepared at the time work is performed or shortly thereafter is likely to be more accurate than documentation prepared at a much later time.</p>
<p><b>.37</b> 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. .A68)</p>	<p><b>.A68</b> The completion of the assembly of the final engagement file is an administrative process that does not involve the performance of new procedures or the drawing of new conclusions. Changes may, however, be made to the documentation during the final assembly process if they are administrative in nature. Examples of such changes include the following:</p> <ul style="list-style-type: none"> <li>• Deleting or discarding superseded documentation</li> <li>• Sorting, collating, and cross-referencing working papers</li> <li>• Signing off on completion checklists relating to the file assembly process</li> </ul>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<ul style="list-style-type: none"> <li>• 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</li> <li>• Adding information received after the date of the report, for example, an original confirmation that was previously communicated electronically</li> </ul>
.38 After the documentation completion date, the practitioner should not delete or discard documentation of any nature before the end of its retention period.	
.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 <ul style="list-style-type: none"> <li>a. the specific reasons for making the amendments or additions and</li> <li>b. when, and by whom, they were made and reviewed.</li> </ul>	
.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.	
.41 Because engagement documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information.	
.42 The practitioner should also adopt reasonable procedures to prevent unauthorized access to engagement documentation.	
.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	

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. (See paragraph .20.)	
<b>Engagement Quality Control Review</b>	<b>Engagement Quality Control Review (Ref: par. .44)</b>
<p><b>.44</b> For those engagements, if any, for which the firm has determined that an engagement quality control review is required, the following should be done: (Ref: par. .A69)</p> <ul style="list-style-type: none"> <li>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.</li> <li>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"> <li>i. Discussion of significant findings or issues with the engagement partner</li> <li>ii. Reading the written subject matter or assertion and the proposed report</li> <li>iii. Reading selected engagement documentation relating to the significant judgments the engagement team made and the related decisions it reached</li> <li>iv. Evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate</li> </ul> </li> </ul>	<p><b>.A69</b> Other matters that may be considered in an engagement quality control review include the following:</p> <ul style="list-style-type: none"> <li>a. The engagement team's evaluation of the firm's independence in relation to the engagement</li> <li>b. Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters and the conclusions arising from those consultations</li> <li>c. Whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached</li> </ul>
<b>Professional Skepticism and Professional Judgment</b>	<b>Professional Skepticism and Professional Judgment</b>
<b><i>Professional Skepticism</i></b>	<b><i>Professional Skepticism (Ref: par. .45)</i></b>
<b>.45</b> The practitioner should plan and perform an attestation engagement with professional skepticism. (Ref: par. .A70–.A72)	<b>.A70</b> Professional skepticism includes being alert to matters such as the following:

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<ul style="list-style-type: none"> <li>• Evidence that contradicts other evidence obtained</li> <li>• Information that brings into question the reliability of documents and responses to inquiries to be used as evidence</li> <li>• Circumstances that may indicate fraud</li> <li>• Circumstances that suggest the need for procedures in addition to those required by relevant AT-C sections</li> </ul> <p><b>.A71</b> 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><b>.A72</b> 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>
<p><b>.46</b> 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 believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the practitioner, the practitioner should investigate further.</p>	
<p><b><i>Professional Judgment</i></b></p>	<p><b><i>Professional Judgment (Ref: par. .47)</i></b></p>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>.47</b> The practitioner should exercise professional judgment in planning and performing an attestation engagement. (Ref: par. .A73–.A78)</p>	<p><b>.A73</b> Professional judgment is essential to the proper conduct of an attestation engagement. This is because interpretation of relevant ethical requirements and relevant AT-C sections and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances.</p> <p><b>.A74</b> For examination and limited assurance engagements, professional judgment is necessary regarding decisions about the following matters:</p> <ul style="list-style-type: none"> <li>• Materiality and attestation risk</li> <li>• The nature, timing, and extent of procedures used to meet the requirements of relevant AT-C sections and gather evidence</li> <li>• 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</li> <li>• The evaluation of the responsible party's judgments in applying the criteria</li> <li>• The drawing of conclusions based on the evidence obtained, for example, assessing the reasonableness of the evaluation or measurement of subject matter or an assertion</li> </ul> <p><b>.A75</b> 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>

**Proposed AT-C Section 105, *Concepts Common to All Attestation Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A76</b> 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><b>.A77</b> 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><b>.A78</b> 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>

## Exposure Draft

### Proposed AT-C Section 205, *Examination Engagements*

#### CONTENTS

	<b>Paragraph</b>
<b>Introduction</b> .....	01
<b>Effective Date</b> .....	02
<b>Objectives</b> .....	03
<b>Definitions</b> .....	04
<b>Requirements</b>	
Conduct of an Examination Engagement .....	05
Preconditions for an Examination Engagement.....	06
Agreeing on the Terms of the Engagement .....	07–09
Planning and Performing the Engagement .....	10–12
Risk Assessment Procedures.....	13–15
Materiality in Planning and Performing the Engagement.....	16–17
Identifying Risks of Material Misstatement .....	18
Responding to Assessed Risks and Obtaining Evidence .....	19–20
Further Procedures .....	22–32
Fraud, Laws, and Regulations.....	32–33
Revision of Risk Assessment.....	34
Evaluating the Reliability of Information Produced by the Entity .....	35
Using the Work of a Practitioner’s Specialist.....	36–38
Using the Work of Internal Auditors .....	39–44
Evaluating the Results of Examination Procedures .....	45–47
Considering Subsequent Events and Subsequently Discovered Facts.....	48–49
Written Representations.....	50–53
Requested Written Representations Not Provided or Not Reliable .....	54
Other Information. ....	55
Description of Criteria .....	56
Forming the Opinion.....	57–58
Preparing the Practitioner’s Report.....	59–61
Content of the Practitioner’s Report .....	62–65
Reference to the Practitioner’s Specialist .....	66
Modified Opinions .....	67–80
Communication Responsibilities .....	81–82
Documentation.....	83
<b>Application and Other Explanatory Material</b>	
Risk Assessment Procedures.....	A15–A16
Materiality in Planning and Performing the Engagement.....	A17–A23
Identifying Risks of Material Misstatement .....	A24–A25
Responding to Assessed Risks and Obtaining Evidence .....	A26–A30
Fraud, Laws, and Regulations.....	A31–A32

Revision of Risk Assessment.....	A33–A34
Evaluating the Reliability of Information Produced by the Entity .....	A35–A36
Using the Work of a Practitioner’s Specialist.....	A37–A45
Using the Work of Internal Auditors .....	A46–A48
Evaluating the Results of Procedures .....	A49–A55
Considering Subsequent Events and Subsequently Discovered Facts.....	A56–A60
Written Representations.....	A61–A67
Requested Written Representations Not Provided or Not Reliable .....	A68–A70
Other Information .....	A71–A72
Description of Criteria .....	A73–A74
Forming the Opinion.....	A75–A78
Preparing the Practitioner’s Report.....	A79–A84
Content of the Practitioner’s Report .....	A85–A111
Reference to the Practitioner’s Specialist .....	A112
Modified Opinions .....	A113–A119
Communication Responsibilities .....	A120–A122
Documentation.....	A123–A126
<b>Exhibit—Illustrative Examination Reports .....</b>	<b>A127</b>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Introduction</b>	
<b>.01</b> This section contains performance and reporting requirements and application guidance for all examination engagements. The requirements and guidance in this section supplement the requirements and guidance in AT-C section 105, <i>Concepts Common to All Attestation Engagements</i> .*	
<b>Effective Date</b>	
<b>.02</b> This section is effective for practitioners' examination reports dated on or after May 1, 2020.	
<b>Objectives</b>	
<b>.03</b> In conducting an examination engagement, the objectives of the practitioner are to do the following: <ul style="list-style-type: none"> <li>a. Obtain reasonable assurance about whether the subject matter as measured or evaluated against the criteria is free from material misstatement.</li> <li>b. Express an opinion in a written report about whether <ul style="list-style-type: none"> <li>i. the subject matter is in accordance with (or based on) the criteria, in all material respects, or</li> <li>ii. the responsible party's assertion is fairly stated, in all material respects.</li> </ul> </li> <li>c. Communicate further as required by relevant AT-C sections.</li> </ul>	
<b>Definitions</b>	
<b>.04</b> For purposes of this section, the following terms have the meanings attributed as follows: <p><b>Appropriateness of evidence.</b> The measure of the quality of evidence, that is, its relevancy and reliability in providing support for the practitioner's opinion.</p> <p><b>Modified opinion.</b> A qualified opinion, an adverse opinion, or a disclaimer of opinion.</p>	

\* All AT-C sections can be found in AICPA *Professional Standards*.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Risk of material misstatement.</b> The risk that the subject matter is not in accordance with (or based on) the criteria in all material respects or that the assertion is not fairly stated, in all material respects.</p> <p><b>Sufficiency of evidence.</b> The measure of the quantity of evidence. The quantity of the evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.</p> <p><b>Test of controls.</b> A procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements in the subject matter.</p>	
<b>Requirements</b>	
<b>Conduct of an Examination Engagement</b>	<b>Conduct of an Examination Engagement (Ref: par. .05)</b>
.05 In performing an examination engagement, the practitioner should comply with this section, AT-C section 105, and any subject matter AT-C section that is relevant to the engagement. A subject matter AT-C section is relevant to the engagement when it is in effect and the circumstances addressed by the AT-C section exist. (Ref: par. .A1)	.A1 For example, if a practitioner were examining prospective financial information, AT-C section 105, this section, and AT-C section 305, <i>Prospective Financial Information</i> , would be relevant.
<b>Preconditions for an Examination Engagement</b>	
.06 AT-C section 105 indicates that a 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. <sup>1</sup> When the practitioner is not independent but is required by law or regulation to accept the engagement and report on the subject matter or assertion, the practitioner should disclaim an opinion and should specifically state that the practitioner is not independent. The practitioner is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the practitioner chooses to	

<sup>1</sup> Paragraph .24 of AT-C section 105, *Concepts Common to All Attestation Engagements*.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
provide the reasons for the lack of independence, the practitioner should include all the reasons therefor.	
<b>Agreeing on the Terms of the Engagement</b>	<b>Agreeing on the Terms of the Engagement (Ref: par. .7, .8b, .8d, .8dii[1], and .8e-f)</b>
<b>.07</b> The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A2)	<b>.A2</b> It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.
<b>.08</b> The agreed-upon terms of the engagement should include the following: <ul style="list-style-type: none"> <li>a. The objective and scope of the engagement</li> <li>b. The responsibilities of the practitioner (Ref: par. .A3)</li> <li>c. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants</li>   <li>d. The responsibilities of the appropriate party including (Ref: par. .A4)</li> </ul>	<p><b>.A3</b> A practitioner may further describe the responsibilities of the practitioner by adding the following items to the engagement letter or other suitable form of written agreement:</p> <ul style="list-style-type: none"> <li>a. A statement that an examination is designed to obtain reasonable assurance about whether the subject matter as measured or evaluated against the criteria is free from material misstatement</li> <li>b. A statement that the objective of an examination is the expression of an opinion in a written practitioner’s report about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or whether the responsible party’s assertion is fairly stated, in all material respects</li> </ul> <p><b>.A4</b> As indicated in AT-C section 105, the term <i>appropriate party</i> refers to the responsible party, the engaging party, or both, as appropriate.<sup>2</sup> The term is used to accommodate situations in which the responsible party is not the engaging party. For</p>

<sup>2</sup> Paragraph .11 of AT-C section 105.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>i. that the responsible party is responsible for the subject matter in accordance with (or based on) the criteria (Ref: par. .A5–.A7) and</p> <p>ii. that the appropriate party is responsible for</p> <ol style="list-style-type: none"> <li>(1) identifying the criteria for the measurement, evaluation, or disclosure of the subject matter and (Ref: par. .A8)</li> <li>(2) determining that such criteria are suitable and will be available to the intended users</li> </ol> <p>e. A statement about the inherent limitations of an examination engagement (Ref: par. .A9)</p>	<p>example, when the responsible party is not the engaging party, the engaging party rather than the responsible party may be responsible for identifying the criteria.</p> <p><b>.A5</b> A practitioner may also be engaged to assist the responsible party in measuring or evaluating the subject matter against the criteria.</p> <p><b>.A6</b> Regardless of the procedures performed by the practitioner when assisting the responsible party in measuring or evaluating the subject matter, the responsible party is required to accept responsibility for the subject matter in accordance with (or based on) the criteria.</p> <p><b>.A7</b> If the practitioner is reporting on the responsible party’s assertion, the responsible party may not base its assertion solely on the practitioner's procedures.<sup>3</sup></p> <p><b>.A8</b> The engaging party may request that the practitioner recommend, develop, or assist in developing the criteria for the engagement. The engaging party is deemed to have identified the criteria if the engaging party agrees to the criteria that the practitioner recommended or assisted in developing. (Ref: par. .8dii[1])</p> <p><b>.A9</b> 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,</p>

<sup>3</sup> The “Nonattest Services” subtopic (ET sec. 1.295) of the AICPA Code of Professional Conduct addresses the practitioner’s provision of nonattest services for an attest client. All ET sections can be found in AICPA *Professional Standards*.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>f. Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter (Ref: par. .A10)</p> <p>g. An acknowledgment that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement</p>	<p>even though the examination is properly planned and performed in accordance with the attestation standards.” (Ref: par. .8e)</p> <p><b>.A10</b> If relevant, the practitioner may include in the engagement letter the responsible party’s acknowledgment that it intends to measure or evaluate the subject matter against the criteria and provide the practitioner with a written assertion. An assertion may be needed, for example, to do the following:</p> <ul style="list-style-type: none"> <li>• To comply with the terms of the engagement, for example, an engagement in which management has engaged the practitioner to report on management’s assertion</li> <li>• To comply with the requirements of a law, regulation, or contract</li> <li>• To comply with the requirements of an AT-C section, such as AT-C section 320, <i>Reporting on an Examination of Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting</i></li> </ul> <p>For engagements in which an assertion is obtained (for example, the assertion is required by law, regulation or contract, or the practitioner is reporting on management’s assertion), or otherwise deemed necessary, the practitioner may include in the engagement letter the responsible party’s acknowledgement that it will provide the practitioner with a written assertion.</p>
<p><b>.09</b> Although an engagement may recur, each engagement is considered a separate engagement. The practitioner should assess whether circumstances require revision to the terms of a preceding engagement. If the practitioner concludes that the terms of the preceding engagement need not be revised for the current engagement, the practitioner should remind the engaging party of the terms of the current engagement, and the reminder should be documented.</p>	

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Planning and Performing the Engagement</b></p> <p><b>.10</b> The practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and guides the development of the engagement plan. The nature, timing, and extent of the practitioner’s procedures may be affected by the extent to which the responsible party has measured or evaluated the subject matter against the criteria. The practitioner should exercise professional judgment in selecting and applying procedures to accumulate sufficient appropriate evidence that provides a reasonable basis for the practitioner’s opinion. (Ref: par. .A11–.A14)</p>	<p><b>Planning and Performing the Engagement (Ref: par. .10)</b></p> <p><b>.A11</b> Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner’s specialists in developing</p> <ul style="list-style-type: none"> <li>• an overall strategy for the scope, timing, and conduct of the engagement and</li> <li>• an engagement plan, consisting of a detailed approach for the nature, timing, and extent of procedures to be performed.</li> </ul> <p>Adequate planning helps the practitioner devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement for it to be performed in an effective and efficient manner.</p> <p>Adequate planning also assists the practitioner in properly assigning work to engagement team members and facilitates the direction, supervision, and review of their work. Further, it assists, when applicable, the coordination of work performed by other practitioners and practitioner’s specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner’s previous experience with it. Examples of relevant matters that may be considered include the following:</p> <ul style="list-style-type: none"> <li>• The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the underlying subject matter, and the criteria</li> <li>• The expected timing and the nature of the communications required</li> <li>• The results of preliminary engagement activities, such as client acceptance, and, when applicable, whether</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>knowledge gained on other engagements performed by the engagement partner for the appropriate party is relevant</p> <ul style="list-style-type: none"> <li>• The engagement process, including possible sources of evidence, and choices among alternative measurement or evaluation methods</li> <li>• The practitioner’s understanding of the appropriate party and its environment, including the risks that the subject matter may be materially misstated</li> <li>• Identification of intended users and their information needs and consideration of materiality and the components of attestation risk</li> <li>• The risk of fraud relevant to the engagement</li> <li>• The effect on the engagement of using the internal audit function</li> </ul>
	<p><b>.A12</b> The practitioner may decide to discuss elements of planning with the appropriate party to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the responsible party’s personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the practitioner’s responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.</p>
	<p><b>.A13</b> Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. Because of unexpected events, changes in conditions, or evidence obtained, the practitioner may need to revise the overall strategy and engagement plan and, thereby, the resulting nature, timing, and extent of planned procedures.</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A14</b> In smaller or less complex engagements, the entire engagement may be conducted by a very small engagement team, possibly involving the engagement partner (who may be a sole practitioner) working without any other engagement team members. With a smaller team, coordination of, and communication among, team members is easier. In such cases, establishing the overall engagement strategy need not be a complex or time-consuming exercise; it varies according to the size of the entity, complexity of the engagement, and size of the engagement team.</p>
<p><b>.11</b> In establishing the overall engagement strategy, the practitioner should do the following:</p> <ul style="list-style-type: none"> <li>a. Identify the characteristics of the engagement that define its scope and ascertain the reporting objectives of the engagement in order to plan the timing of the engagement and the nature of the communications required.</li> <li>b. Consider the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts.</li> <li>c. Consider the results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant.</li> <li>d. Ascertain the nature, timing, and extent of resources necessary to perform the engagement.</li> </ul>	
<p><b>.12</b> The practitioner should develop a plan that includes a description of the following items:</p> <ul style="list-style-type: none"> <li>a. The nature, timing, and extent of planned risk assessment procedures</li> <li>b. The nature, timing, and extent of planned further procedures (see paragraph .21)</li> <li>c. Other planned procedures that are required to be carried out so that the engagement complies with the attestation standards</li> </ul>	

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Risk Assessment Procedures</b></p> <p><b>.13</b> The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to do the following: (Ref: par. .A15-.A16)</p> <ul style="list-style-type: none"> <li>a. Enable the practitioner to identify and assess the risks of material misstatement in the subject matter</li> <li>b. Provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner’s opinion</li> </ul>	<p><b>.A15</b> Obtaining an understanding of the subject matter and other engagement circumstances provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example, when doing the following:</p> <ul style="list-style-type: none"> <li>• Considering the characteristics of the subject matter</li> <li>• Assessing the suitability of criteria</li> <li>• Considering the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts, including situations in which special consideration may be necessary (for example, when there is a need for specialized skills or the work of a specialist)</li> <li>• Establishing and evaluating the continued appropriateness of quantitative materiality levels (when appropriate) and considering qualitative materiality factors</li> <li>• Developing expectations when performing analytical procedures</li> <li>• Designing and performing procedures</li> <li>• Evaluating evidence, including the reasonableness of the written representations received by the practitioner</li> </ul>
<p><b>.14</b> In obtaining an understanding of the subject matter in accordance with paragraph .13, the practitioner should obtain an understanding of internal control over the preparation of the subject matter relevant to the engagement. This includes evaluating the design of those controls</p>	<p><b>.A16</b> In assessing inherent risk, the practitioner may consider factors relevant to examination engagements, such as the following:</p> <ul style="list-style-type: none"> <li>• The complexity of the subject matter or assertion</li> <li>• The length of time during which the entity has had experience with the subject matter or assertion</li> <li>• Prior experience with the entity's assessment of the subject matter or assertion</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
relevant to the subject matter and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter.	
<p><b>.15</b> The practitioner should make inquiries of the appropriate party regarding</p> <ul style="list-style-type: none"> <li>a. whether the responsible party has an internal audit function. If the responsible party has an internal audit function, the practitioner should make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter.</li> <li>b. whether the responsible party has used any specialists in the preparation of the subject matter.</li> </ul>	
<b>Materiality in Planning and Performing the Engagement</b>	<b>Materiality in Planning and Performing the Engagement (Ref: par. .16)</b>
<b>.16</b> The practitioner should consider materiality when establishing the overall engagement strategy, determining the nature, timing, and extent of procedures, and evaluating whether the subject matter is free from material misstatement. (Ref: par. .A17–.A23)	<b>.A17</b> Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner’s professional judgment.
	<b>.A18</b> Professional judgments about materiality are made considering surrounding circumstances, but they are not affected by the level of assurance; that is, for the same intended users, materiality for an examination engagement is the same as it is for a limited assurance engagement because materiality is based on the information needs of intended users and not the level of assurance.
	<b>.A19</b> In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of intended users that are made based on the subject matter. The practitioner’s consideration of materiality is a matter of

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>professional judgment and is affected by the practitioner’s perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users</p> <ol style="list-style-type: none"> <li>a. have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence.</li> <li>b. understand that the subject matter is measured or evaluated and subjected to procedures using appropriate levels of materiality and that they have an understanding of any materiality concepts included in the criteria.</li> <li>c. understand any inherent uncertainties involved in measuring or evaluating the subject matter.</li> <li>d. make reasonable decisions on the basis of the subject matter taken as a whole. Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.</li> </ol>
	<p><b>.A20</b> Qualitative factors may include the following:</p> <ul style="list-style-type: none"> <li>• The interaction between, and relative importance of, various aspects of the subject matter, such as numerous performance indicators</li> <li>• The wording chosen with respect to subject matter that is expressed in narrative form; for example, the wording chosen does not omit or distort the information</li> <li>• The characteristics of the presentation adopted for the subject matter when the criteria allow for variations in that presentation</li> <li>• The nature of a misstatement, for example, the nature of observed deviations in the operation of a control when the responsible party asserts that the control is effective</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• Whether a misstatement affects compliance with laws or regulations</li> <li>• In the case of periodic reporting on a subject matter, whether the effect of an adjustment affects past or current information about the subject matter or is likely to affect future information about the subject matter</li> <li>• Whether a misstatement is the result of an intentional act or is unintentional</li> <li>• Whether a misstatement is significant with regard to the practitioner’s understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the subject matter</li> <li>• Whether a misstatement relates to the relationship between the responsible party, and if different, the engaging party or its relationship with other parties</li> </ul>
	<p><b>.A21</b> Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter, if any, that are</p> <ul style="list-style-type: none"> <li>• expressed numerically or</li> <li>• otherwise related to numerical values, for example, the number of observed deviations in the operation of a control when the examination involves the effectiveness of the control.</li> </ul>
	<p><b>.A22</b> When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the subject matter to be materially misstated. Applying materiality to elements of the subject matter ordinarily is not a simple mechanical calculation but involves the exercise of professional judgment. It is affected by the practitioner’s understanding of the subject matter and the responsible party, updated during the performance of the risk</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	assessment procedures, and consideration of the nature and extent of misstatements identified in previous attestation engagements.
	<b>.A23</b> The criteria may discuss the concept of materiality in the context of the preparation and presentation of the subject matter and thereby provide a frame of reference for the practitioner in considering materiality for the engagement. Although criteria may discuss materiality in different terms, the concept of materiality generally includes the matters discussed in paragraphs .A17–.A22. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.
<b>.17</b> The practitioner should reconsider materiality for the subject matter if the practitioner becomes aware of information during the engagement that would have caused the practitioner to have initially determined a different materiality.	
<b>Identifying Risks of Material Misstatement</b>	<b>Identifying Risks of Material Misstatement (Ref: par. .18)</b>
<b>.18</b> The practitioner should identify and assess risks of material misstatement as the basis for designing and performing further procedures whose nature, timing, and extent (Ref: par. .A24–.A25) <ul style="list-style-type: none"> <li>a. are responsive to assessed risks of material misstatement and</li> <li>b. allow the practitioner to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects.</li> </ul>	<b>.A24</b> Most of the practitioner’s work in forming an opinion consists of obtaining and evaluating evidence. Procedures to obtain evidence can include inspection, observation, confirmation, recalculation, reperformance, and analytical procedures, often in some combination, in addition to inquiry.
	<b>.A25</b> In some cases, a subject-matter-specific section may include requirements that affect the nature, timing, and extent of procedures. For example, a subject-matter-specific section may describe the nature or extent of particular procedures to be performed in a particular type of engagement. Even in such cases, determining the exact nature, timing, and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.
<b>Responding to Assessed Risks and Obtaining Evidence</b>	<b>Responding to Assessed Risks and Obtaining Evidence (Ref: par. .20)</b>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.19</b> To obtain reasonable assurance, the practitioner should obtain sufficient appropriate evidence to reduce attestation risk to an acceptably low level and thereby enable the practitioner to draw reasonable conclusions on which to base the practitioner’s opinion.</p>	
<p><b>.20</b> The practitioner should design and implement overall responses to address the assessed risks of material misstatement for the subject matter or assertion. (Ref: par. .A26–.A27)</p>	<p><b>.A26</b> Overall responses to address the assessed risks of material misstatement of the subject matter or assertion may include the following:</p> <ul style="list-style-type: none"> <li>• Emphasizing to the engagement team the need to maintain professional skepticism</li> <li>• Assigning more-experienced staff or those with specialized skills or using specialists</li> <li>• Providing more supervision</li> <li>• Incorporating additional elements of unpredictability in the selection of further procedures to be performed</li> <li>• Making changes to the nature, timing, or extent of procedures (for example, performing procedures at period-end instead of at an interim date or modifying the nature of procedures to obtain more persuasive evidence)</li> </ul>
	<p><b>.A27</b> The assessment of the risks of material misstatement of the subject matter or assertion is affected by the practitioner’s understanding of the control environment. An effective control environment may allow the practitioner to have more confidence in internal control and the reliability of evidence generated internally within the entity and, thus, for example, may allow the practitioner to conduct some procedures at an interim date, rather than at the period-end. Deficiencies in the control environment, however, have the opposite effect. For example, the practitioner may respond to an ineffective control environment by doing the following:</p> <ul style="list-style-type: none"> <li>• Conducting more procedures as of the period-end, rather than at an interim date</li> <li>• Obtaining more extensive evidence from procedures other than tests of controls</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• Increasing the number of locations to be included in the examination scope</li> </ul>
<b>Further Procedures</b>	
<b>.21</b> The practitioner should design and perform further procedures whose nature, timing, and extent are based on, and responsive to, the assessed risks of material misstatement.	
<b>.22</b> In designing and performing further procedures in accordance with paragraph .21, the practitioner should do the following: <ul style="list-style-type: none"> <li>a. Consider the reasons for the assessment given the risk of material misstatement, including               <ul style="list-style-type: none"> <li>i. the likelihood of material misstatement due to the particular characteristics of the subject matter and</li> <li>ii. whether the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures.</li> </ul> </li> <li>b. Obtain more persuasive evidence the higher the practitioner’s assessment of risk.</li> </ul>	
<b>.23</b> When designing and performing procedures, the practitioner should consider the relevance and reliability of the information to be used as evidence. If (a) evidence obtained from one source is inconsistent with that obtained from another, (b) the practitioner has doubts about the reliability of information to be used as evidence, or (c) responses to inquiries of the responsible party or others are inconsistent or otherwise unsatisfactory (for example, vague or implausible), then the practitioner should determine what modifications or additions to procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the engagement.	
<b>Tests of Controls</b>	
<b>.24</b> The practitioner should design and perform tests of controls to obtain sufficient appropriate evidence about the operating effectiveness of relevant controls if any of the following apply:	

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>a.</i> The practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures.</p> <p><i>b.</i> Procedures other than tests of controls cannot alone provide sufficient appropriate evidence.</p> <p><i>c.</i> The subject matter is internal control.</p>	
<p><b>.25</b> If the practitioner designed and performed tests of controls to rely on their operating effectiveness and identified deviations in those controls, the practitioner should make specific inquiries and perform other procedures as necessary to understand these matters and their potential consequences. The practitioner also should determine whether</p> <p><i>a.</i> the tests of controls that have been performed provide an appropriate basis for reliance on the controls,</p> <p><i>b.</i> additional tests of controls are necessary, or</p> <p><i>c.</i> the potential risks of misstatement need to be addressed using other procedures.</p>	
<b><i>Procedures Other Than Tests of Controls</i></b>	
<p><b>.26</b> Irrespective of the assessed risks of material misstatement, the practitioner should design and perform tests of details or analytical procedures related to the subject matter, except when the subject matter is internal control.</p>	
<b><i>Analytical Procedures Performed in Response to Assessed Risks</i></b>	<b><i>Analytical Procedures Performed in Response to Assessed Risks (Ref: par. .27)</i></b>
<p><b>.27</b> When designing and performing analytical procedures in response to assessed risks, the practitioner should do the following: (Ref: par. .A28–.A29)</p> <p><i>a.</i> Determine the suitability of particular analytical procedures for the subject matter, taking into account the assessed risks of material misstatement and any related tests of details.</p> <p><i>b.</i> Evaluate the reliability of data from which the practitioner’s expectation is developed, taking into account the source,</p>	<p><b>.A28</b> An understanding of the purposes of analytical procedures and the limitations of those procedures is important. Accordingly, the identification of the relationships and types of data used, as well as conclusions reached when recorded amounts are compared to expectations, requires professional judgment by the practitioner.</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>comparability, nature, and relevance of information available, and controls over their preparation.</p> <p>c. Develop an expectation that is sufficiently precise to identify possible material misstatements (taking into account whether analytical procedures are to be performed alone or in combination with tests of details).</p>	
	<p><b>.A29</b> Analytical procedures involve comparisons of expectations developed by the practitioner to recorded amounts or ratios developed from recorded amounts. The practitioner develops such expectations by identifying and using plausible relationships that are reasonably expected to exist based on the practitioner’s understanding of the subject matter; the practices used by the responsible party to measure, recognize, and record the subject matter; and, if applicable, the industry in which the entity operates.</p>
<p><b>.28</b> If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected amounts or ratios, the practitioner should investigate such differences by doing the following:</p> <p>a. Inquiring of the responsible party and obtaining additional evidence relevant to its responses</p> <p>b. Performing other procedures as necessary in the circumstances</p>	
<b><i>Procedures Regarding Estimates</i></b>	
<p><b>.29</b> Based on the assessed risks of material misstatement, the practitioner should evaluate the following:</p> <p>a. Whether the responsible party has appropriately applied the requirements of the criteria relevant to any estimated amounts</p> <p>b. Whether the methods for making estimates are appropriate and have been applied consistently and whether changes, if any, in reported estimates or in the method for making them from the prior period, if applicable, are appropriate in the circumstances</p>	

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.30</b> When responding to an assessed risk of material misstatement related to an estimate, the practitioner should undertake one or more of the following, taking into account the nature of the estimates:</p> <ul style="list-style-type: none"> <li><i>a.</i> Determine whether events occurring up to the date of the practitioner’s report provide evidence regarding the estimate.</li> <li><i>b.</i> Test how the responsible party made the estimate and the data on which it is based. In doing so, the practitioner should evaluate whether the               <ul style="list-style-type: none"> <li><i>i.</i> method of measurement used is appropriate in the circumstances,</li> <li><i>ii.</i> assumptions used by the responsible party are reasonable, and</li> <li><i>iii.</i> data on which the estimate is based are sufficiently reliable for the practitioner’s purposes.</li> </ul> </li> <li><i>c.</i> Test the operating effectiveness of the controls over how the responsible party made the estimate, together with other appropriate further procedures.</li> <li><i>d.</i> Develop a point estimate or a range to evaluate the responsible party’s estimate. For this purpose, if the practitioner               <ul style="list-style-type: none"> <li><i>i.</i> uses assumptions or methods that differ from those of the responsible party, the practitioner should obtain an understanding of the responsible party’s assumptions or methods sufficient to establish that the practitioner’s point estimate or range takes into account relevant variables and to evaluate any significant differences from the responsible party’s point estimate.</li> <li><i>ii.</i> concludes that it is appropriate to use a range, the practitioner should narrow the range, based on evidence available, until all outcomes within the range are considered reasonable.</li> </ul> </li> </ul>	
<p><b><i>Sampling</i></b></p> <p><b>.31</b> If sampling is used, the practitioner should, when designing the sample, consider the purpose of the procedure and the characteristics of the population from which the sample will be drawn. Sampling involves the following: (Ref: par. .A30)</p>	<p><b><i>Sampling (Ref: par. .31)</i></b></p> <p><b>.A30</b> The AICPA Audit Guide <i>Audit Sampling</i> provides guidance that may be useful to a practitioner who has decided to use sampling in performing attestation procedures.</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<ul style="list-style-type: none"> <li>a. Determining a sample size sufficient to reduce sampling risk to an acceptably low level</li> <li>b. Selecting items for the sample in such a way that the practitioner can reasonably expect the sample to be representative of the relevant population and likely to provide the practitioner with a reasonable basis for conclusions about the population</li> <li>c. Treating a selected item to which the practitioner is unable to apply the designed procedures or suitable alternative procedures as a deviation from the prescribed control in the case of tests of controls or a misstatement in the case of tests of details</li> <li>d. Investigating the nature and cause of deviations or misstatements identified and evaluating their possible effect on the purpose of the procedure and on other areas of the engagement</li> <li>e. Evaluating the results of the sample, including sampling risk and projecting misstatements found in the sample to the population</li> <li>f. Evaluating whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested</li> </ul>	
<b>Fraud, Laws, and Regulations</b>	<b>Fraud, Laws, and Regulations (Ref: par. .33)</b>
<p><b>.32</b> The practitioner should do the following:</p> <ul style="list-style-type: none"> <li>a. Consider whether risk assessment procedures and other procedures related to understanding the subject matter indicate risk of material misstatement due to fraud or noncompliance with laws or regulations.</li> <li>b. Make inquiries of the appropriate party to determine whether the party has knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter.</li> <li>c. Evaluate whether there are unusual or unexpected relationships within the subject matter, or between the subject matter and other related information, that indicate risks of material misstatement due to fraud or noncompliance with laws or regulations.</li> </ul>	

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>d.</i> Evaluate whether other information obtained indicates risk of material misstatement due to fraud or noncompliance with laws or regulations.</p>	
<p><b>.33</b> The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws or regulations affecting the subject matter that is identified during the engagement. (Ref: par. .A31–.A32)</p>	<p><b>.A31</b> In responding to fraud or suspected fraud identified during the engagement, it may be appropriate, unless prohibited by law, regulation, or ethics standards, for the practitioner to, for example, do the following:</p> <ul style="list-style-type: none"> <li>• Discuss the matter with the appropriate party.</li> <li>• Request that the responsible party consult with an appropriately qualified third party, such as the entity’s legal counsel or a regulator.</li> <li>• Consider the implications of the matter in relation to other aspects of the engagement, including the practitioner’s risk assessment and the reliability of written representations from the responsible party.</li> <li>• Obtain legal advice about the consequences of different courses of action.</li> <li>• Communicate with third parties (for example, a regulator).</li> <li>• Withdraw from the engagement.</li> </ul>
	<p><b>.A32</b> The actions noted in paragraph .A31 may also be appropriate in responding to noncompliance or suspected noncompliance with laws or regulations identified during the engagement. It may be appropriate to describe the matter in a separate paragraph in the practitioner’s report, unless either of the following apply:</p> <ul style="list-style-type: none"> <li><i>a.</i> The practitioner is precluded by the responsible party from obtaining sufficient appropriate evidence to evaluate whether noncompliance that may be material to the subject matter has, or is likely to have, occurred, in which case, paragraphs .67<i>a</i> and .76 apply.</li> <li><i>b.</i> The practitioner concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraph .67<i>b</i> applies.</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Revision of Risk Assessment</b>	<b>Revision of Risk Assessment (Ref: par. .34)</b>
<p><b>.34</b> The practitioner’s assessment of the risks of material misstatement may change during the course of the engagement as additional evidence is obtained. In circumstances in which the practitioner obtains evidence from performing further procedures or if new information is obtained, either of which is inconsistent with the evidence on which the practitioner originally based the assessment, the practitioner should revise the assessment and modify the planned procedures accordingly. (Ref: par. .A33–.A34)</p>	<p><b>.A33</b> Information may come to the practitioner’s attention that differs significantly from that on which the determination of planned procedures was based. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to perform additional procedures. Such procedures may include asking the responsible party to examine the matter identified by the practitioner and to make adjustments to the subject matter if appropriate.</p>
	<p><b>.A34</b> The practitioner may become aware of a matter that causes the practitioner to believe the subject matter may be materially misstated. For example, when performing analytical procedures, the practitioner may identify a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expectations.</p>
<b>Evaluating the Reliability of Information Produced by the Entity</b>	<b>Evaluating the Reliability of Information Produced by the Entity (Ref: par. .35)</b>
<p><b>.35</b> When using information produced by the entity, the practitioner should evaluate whether the information is sufficiently reliable for the practitioner’s purposes, including, as necessary, the following: (Ref: par. .A35–.A36)</p> <ul style="list-style-type: none"> <li><i>a.</i> Obtaining evidence about the accuracy and completeness of the information</li> <li><i>b.</i> Evaluating whether the information is sufficiently precise and detailed for the practitioner’s purposes</li> </ul>	<p><b>.A35</b> Reliable information is sufficiently accurate and complete.</p>
	<p><b>.A36</b> Obtaining evidence about the accuracy and completeness of information produced by the entity may be accomplished concurrently with the actual procedure applied to the information when obtaining such evidence is an integral part of the procedure itself. In other situations, the practitioner may have obtained evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	information. In some situations, however, the practitioner may determine that additional procedures are needed.
<b>Using the Work of a Practitioner’s Specialist</b>	<b>Using the Work of a Practitioner’s Specialist</b>
	<i>The Competence, Capabilities, and Objectivity of a Practitioner’s Specialist (Ref: par. .36a)</i>
<p><b>.36</b> When the practitioner expects to use the work of a practitioner’s specialist, the practitioner should do the following:</p> <p style="padding-left: 40px;"><i>a.</i> Evaluate whether the practitioner’s specialist has the necessary competence, capabilities, and objectivity for the practitioner’s purposes. In the case of a practitioner’s external specialist, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the practitioner’s specialist. (Ref: par. .A37–.A40)</p>	<p><b>.A37</b> Information regarding the competence, capabilities, and objectivity of a practitioner’s specialist may come from a variety of sources, such as the following:</p> <ul style="list-style-type: none"> <li>• Personal experience with previous work of that specialist</li> <li>• Discussions with that specialist</li> <li>• Discussions with other practitioners or others who are familiar with that specialist’s work</li> <li>• Knowledge of that specialist’s qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition</li> <li>• Published papers or books written by that specialist</li> <li>• The firm’s quality control policies and procedures</li> </ul>
	<p><b>.A38</b> Although a practitioner’s specialist does not require the same proficiency as the practitioner in performing all aspects of an examination engagement, a practitioner’s specialist whose work is used may need a sufficient understanding of relevant AT-C sections to enable that specialist to relate the work assigned to that specialist to the engagement objective.</p>
	<p><b>.A39</b> The evaluation of the significance of threats to objectivity and of whether there is a need for safeguards may depend upon the role of the practitioner’s specialist and the significance of the specialist’s work in the context of the engagement. There may be some circumstances in which safeguards cannot reduce threats to an acceptable level, for example, if in an examination engagement a practitioner’s specialist is an individual who has played a significant role in measuring, evaluating, or disclosing the subject matter.</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A40</b> When evaluating the objectivity of a practitioner’s external specialist, it may be relevant to do the following:</p> <ul style="list-style-type: none"> <li>• Inquire of the appropriate party about any known interests or relationships that the appropriate party has with the practitioner’s external specialist that may affect that specialist’s objectivity.</li> <li>• Discuss with that specialist any applicable safeguards, including any professional requirements that apply to that specialist, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the practitioner’s specialist include <ul style="list-style-type: none"> <li>— financial interests.</li> <li>— business and personal relationships.</li> <li>— provision of other services by the specialist, including by the organization in the case of an external specialist that is an organization.</li> </ul> </li> </ul> <p>In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner’s external specialist about any interests or relationships with the appropriate party of which that specialist is aware.</p>
	<p><b><i>Obtaining an Understanding of the Field of Expertise of a Practitioner’s Specialist (Ref: par. .36b)</i></b></p>
<p><i>b.</i> Obtain a sufficient understanding of the field of expertise of a practitioner’s specialist to enable the practitioner to (Ref: par. .A41)</p> <ul style="list-style-type: none"> <li><i>i.</i> determine the nature, scope, and objectives of that specialist’s work for the practitioner’s purposes and</li> <li><i>ii.</i> evaluate the adequacy of that work for the practitioner’s purposes.</li> </ul>	<p><b>.A41</b> Aspects of a practitioner’s specialist’s field of expertise relevant to the practitioner’s understanding may include the following:</p> <ul style="list-style-type: none"> <li>• Whether that specialist’s field has areas of specialty within it that are relevant to the engagement</li> <li>• Whether any professional or other standards and regulatory or legal requirements apply</li> <li>• What assumptions and methods, including models, when applicable, are used by the practitioner’s specialist and</li> </ul>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>whether they are generally accepted within that specialist's field and appropriate in the circumstances of the engagement</p> <ul style="list-style-type: none"> <li>• The nature of internal and external data or information the practitioner's specialist uses</li> </ul>
	<b><i>Agreement With a Practitioner's Specialist (Ref: par. .36c)</i></b>
<p>c. Agree with the practitioner's specialist regarding (Ref: par. .A42)</p> <ol style="list-style-type: none"> <li>i. the nature, scope, and objectives of that practitioner's specialist's work;</li> <li>ii. the respective roles and responsibilities of the practitioner and that specialist;</li> <li>iii. the nature, timing, and extent of communication between the practitioner and that specialist, including the form of any report or documentation to be provided by that specialist; and</li> <li>iv. the need for the practitioner's specialist to observe confidentiality requirements.</li> </ol> <p>d. Evaluate the adequacy of the work of the practitioner's specialist for the practitioner's purposes, including</p> <ol style="list-style-type: none"> <li>i. the relevance and reasonableness of the findings and conclusions of the practitioner's specialist and their consistency with other evidence;</li> <li>ii. if the work of the practitioner's specialist involves the use of significant assumptions and methods,               <ol style="list-style-type: none"> <li>(1) obtaining an understanding of those assumptions and methods and</li> <li>(2) evaluating the relevance and reasonableness of those assumptions and methods in the circumstances, giving consideration to the rationale and support provided by the practitioner's specialist, and in relation to the practitioner's other findings and conclusions;</li> </ol> </li> <li>iii. if the work of the practitioner's specialist involves the use of source data that are significant to the work of the practitioner's</li> </ol>	<p><b>.A42</b> The matters noted in paragraph .A45 may affect the level of detail and formality of the agreement between the practitioner and the practitioner's specialist, including whether it is appropriate that the agreement be in writing. The agreement between the practitioner and a practitioner's external specialist is often in the form of an engagement letter.</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
specialist, the relevance, completeness, and accuracy of that source data.	
<p><b>.37</b> If the practitioner determines that the work of the practitioner’s specialist is not adequate for the practitioner’s purposes, the practitioner should</p> <ul style="list-style-type: none"> <li>a. agree with the practitioner’s specialist on the nature and extent of further work to be performed by the practitioner’s specialist or</li> <li>b. perform additional procedures appropriate to the circumstances.</li> </ul>	
	<b><i>Integrating the Work of a Practitioner’s Specialist (Ref: par. .38a)</i></b>
<p><b>.38</b> The nature, timing, and extent of the procedures a practitioner performs when the practitioner expects to use the work of a practitioner’s specialist will vary depending on the circumstances. In determining the nature, timing, and extent of those procedures, the practitioner should consider the following: (See AT-C section 105.<sup>4</sup>)</p> <ul style="list-style-type: none"> <li>a. The significance of that specialist’s work in the context of the engagement (See also paragraphs .A43–.A44.)</li> <li>b. The nature of the matter to which that specialist’s work relates</li> <li>c. The risks of material misstatement in the matter to which that specialist’s work relates</li> <li>d. The practitioner’s knowledge of, and experience with, previous work performed by that specialist</li> <li>e. Whether that specialist is subject to the practitioner’s firm’s quality control policies and procedures (See also paragraph .A45.)</li> </ul>	<p><b>.A43</b> Examination engagements may be performed on a wide range of subject matters that require specialized skills and knowledge beyond those possessed by the practitioner and for which the work of a practitioner’s specialist is used. In some situations, the practitioner’s specialist will be consulted to provide advice on an individual matter, but the greater the significance of the work of the practitioner’s specialist in the context of the engagement, the more likely it is that the specialist will work as part of a multidisciplinary team comprising subject matter specialists and other attestation personnel. The more that specialist’s work is integrated in nature, timing, and extent with the overall work effort, the more important effective two-way communication is between the practitioner’s specialist and other attestation personnel. Effective two-way communication facilitates the proper integration of the specialist’s work with the work of others on the engagement.</p>
	<p><b>.A44</b> When the work of a practitioner’s specialist is to be used, it may be appropriate to perform some of the procedures required by paragraph .39 at the engagement acceptance or continuance stage. This is particularly so when the work of the practitioner’s</p>

<sup>4</sup> Paragraph .32 of AT-C section 105.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	specialist is to be used in the early stages of the engagement, for example, during initial planning and risk assessment.
	<b><i>The Practitioner’s Firm’s Quality Control Policies and Procedures (Ref: par. .38e)</i></b>
	<p><b>.A45</b> Engagement teams are entitled to rely on their own firm’s system of quality control, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances and may affect the nature, timing, and extent of the practitioner’s procedures with respect to matters such as the following:</p> <ul style="list-style-type: none"> <li>• The practitioner’s evaluation of the objectivity of the practitioner’s internal specialist (The practitioner’s internal specialists are subject to relevant ethical requirements, including those pertaining to independence.)</li> <li>• The practitioner’s evaluation of the adequacy of the practitioner’s internal specialist’s work (For example, the firm’s training programs may provide the practitioner’s internal specialists with an appropriate understanding of the interrelationship of their expertise with the evidence-gathering process. Reliance on such training and other firm processes, such as protocols for scoping the work of the practitioner’s internal specialists, may affect the nature, timing, and extent of the practitioner’s procedures to evaluate the adequacy of the practitioner’s specialist’s work.)</li> <li>• Adherence to regulatory and legal requirements through monitoring processes</li> <li>• Agreement with the practitioner’s specialist</li> </ul> <p>Such reliance does not reduce the practitioner’s responsibility to meet the requirements of this section.</p>
<b>Using the Work of Internal Auditors</b>	<b>Using the Work of Internal Auditors (Ref: par. .39)</b>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.39</b> When the practitioner expects to use the work of the internal audit function in obtaining evidence or to use internal auditors to provide direct assistance, the practitioner should determine whether the work can be used for purposes of the examination by evaluating the following: (Ref: par. .A46–.A48)</p> <ul style="list-style-type: none"> <li>a. The level of competence of the internal audit function or the individual internal auditors providing direct assistance</li> <li>b. The extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal audit function or, for internal auditors providing direct assistance, the existence of threats to the objectivity of those internal auditors and the related safeguards applied to reduce or eliminate those threats</li> <li>c. When using the work of the internal audit function, the application by the internal audit function of a systematic and disciplined approach, including quality control</li> </ul>	<p><b>.A46</b> Activities similar to those performed by an internal audit function may be conducted by functions with other titles within an entity. Some or all of the activities of an internal audit function may also be outsourced to a third-party service provider. Neither the title of the function nor whether it is performed by the entity or a third-party service provider are sole determinants of whether or not the practitioner can use the work of internal auditors. Rather, it is the nature of the activities, the extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal auditors, the competence of the internal auditors, and the systematic and disciplined approach of the function that are relevant. References in this section to the work of the internal audit function include relevant activities of other functions or third-party providers that have these characteristics.</p>
	<p><b>.A47</b> A practitioner planning to use the work of the internal audit function to obtain evidence may find it effective and efficient to discuss the planned use of the work with the internal audit function as a basis for coordinating activities.</p>
	<p><b>.A48</b> The practitioner has sole responsibility for the opinion expressed, and that responsibility is not reduced by the practitioner’s use of the work of internal auditors on the engagement. The objectivity and competence of internal auditors are important in determining whether to use their work and, if the practitioner decides to use their work, in determining the nature and extent of the use of their work. However, a high degree of objectivity cannot compensate for a low degree of competence, nor can a high degree of competence compensate for a low degree of objectivity. Additionally, neither a high level of competence nor strong support for the objectivity of the internal auditors compensates for the lack of a systematic and disciplined approach when using the work of the internal audit function.</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
.40 When using the work of the internal audit function, the practitioner should perform sufficient procedures on the body of work of the internal audit function as a whole that the practitioner plans to use to determine its adequacy for the purpose of the examination engagement, including reperforming some of the body of work of the internal audit function that the practitioner intends to use in obtaining evidence.	
.41 Prior to using internal auditors to provide direct assistance, the practitioner should obtain written acknowledgment from the responsible party that internal auditors providing direct assistance to the practitioner will be allowed to follow the practitioner’s instructions and that the responsible party will not intervene in the work internal auditors perform for the practitioner.	
.42 When using internal auditors to provide direct assistance to the practitioner, the practitioner should direct, supervise, and review the work of the internal auditors.	
.43 Because the practitioner has sole responsibility for the opinion expressed, the practitioner should make all significant judgments in the examination engagement, including when to use the work of the internal audit function in obtaining evidence. To prevent undue use of the internal audit function in obtaining evidence, the external auditor should plan to use less of the work of the function and perform more of the work directly in the following circumstances: <ul style="list-style-type: none"> <li>a. The more judgment is involved in <ul style="list-style-type: none"> <li>i. planning and performing relevant procedures or</li> <li>ii. evaluating the evidence obtained</li> </ul> </li> <li>b. The higher the assessed risk of material misstatement</li> <li>c. The less the internal audit function’s organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors</li> <li>d. The lower the level of competence of the internal audit function</li> </ul>	
.44 Before the conclusion of the engagement, the practitioner should evaluate whether the use of the work of the internal audit function or the use of internal auditors to provide direct assistance results in the	

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
practitioner still being sufficiently involved in the examination given the practitioner’s sole responsibility for the opinion expressed.	
<b>Evaluating the Results of Procedures</b>	<b>Evaluating the Results of Procedures (Ref: par. .45–.46)</b>
<b>.45</b> The practitioner should accumulate misstatements identified during the engagement other than those that are clearly trivial. (Ref: par. .A49–.A50)	<b>.A49</b> Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in the aggregate, they are material when forming the practitioner’s opinion. (See also paragraph .57b.)
	<b>.A50</b> “Clearly trivial” is not another expression for “not material.” Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality and will be matters that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature, or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter is considered not to be clearly trivial.
<b>.46</b> The practitioner should evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary, attempt to obtain further evidence. The practitioner should consider all relevant evidence, regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A51–.A55)	<b>.A51</b> Sufficient appropriate evidence is necessary to support the practitioner’s opinion and report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm’s quality control procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party. Also, information that may be used as evidence may have been prepared by a specialist employed or engaged by the appropriate party. <i>Evidence</i> comprises both information that supports and corroborates aspects of the subject matter and any information that contradicts aspects of the subject matter. In addition, in some cases, the absence of information (for example, refusal by the appropriate party to provide a requested representation) is

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	considered by the practitioner and, therefore, also constitutes evidence.
	<b>.A52</b> The sufficiency and appropriateness of evidence are interrelated. <i>Sufficiency of evidence</i> is the measure of the quantity of evidence. The quantity of the evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.
	<b>.A53</b> <i>Appropriateness of evidence</i> is the measure of the quality of evidence, that is, its relevance and reliability in providing support for the practitioner’s opinion. The reliability of evidence is influenced by its source and nature and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of evidence can be made; however, such generalizations are subject to important exceptions. Even when evidence is obtained from sources external to the responsible party, circumstances may exist that could affect its reliability. For example, evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. Recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful: <ul style="list-style-type: none"> <li>• Evidence is more reliable when it is obtained from independent sources outside the appropriate party.</li> <li>• Evidence that is generated internally is more reliable when the related controls are effective.</li> <li>• Evidence obtained directly by the practitioner (for example, observation of the application of a control) is more reliable than evidence obtained indirectly or by inference (for example, inquiry about the application of a control).</li> <li>• Evidence is more reliable when it exists in documentary form, whether paper, electronic, or other media. (For example, a contemporaneously written record of a meeting</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>is ordinarily more reliable than a subsequent oral representation of what was discussed.)</p> <ul style="list-style-type: none"> <li>• Evidence provided by original documents is more reliable than evidence provided by photocopies, facsimiles, or documents that have been filmed, digitized, or otherwise transformed into electronic form, the reliability of which may depend on the controls over their preparation and maintenance.</li> </ul>
	<p><b>.A54</b> Evidence obtained from different sources or of a different nature ordinarily provides more assurance than evidence from items considered individually. In addition, obtaining evidence from different sources or of a different nature may indicate that an individual item of evidence is not reliable. For example, corroborating information obtained from a source independent of the responsible party may increase the assurance the practitioner obtains from a representation from the responsible party. Conversely, when evidence obtained from one source is inconsistent with that obtained from another, the practitioner determines what additional procedures are necessary to resolve the inconsistency.</p>
	<p><b>.A55</b> Whether sufficient appropriate evidence has been obtained on which to base the practitioner’s opinion is a matter of professional judgment.</p>
<p><b>.47</b> If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists and the practitioner should express a qualified opinion, disclaim an opinion, or withdraw from the engagement, when withdrawal is possible under applicable law or regulation. The practitioner should apply the requirements in paragraphs <i>.69b</i> and <i>.73</i> when a scope limitation exists and the practitioner is determining the type of opinion to be issued. (Ref: par. <i>.A69</i>)</p>	
<p><b>Considering Subsequent Events and Subsequently Discovered Facts</b></p>	<p><b>Considering Subsequent Events and Subsequently Discovered Facts (Ref: par. <i>.48–.49</i>)</b></p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.48</b> The practitioner should inquire whether the responsible party, and if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the examination engagement up to the date of the practitioner’s report that could have a significant effect on the subject matter or assertion and should apply other appropriate procedures to obtain evidence regarding such events. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter or in its assertion, the practitioner should take appropriate action. (Ref: par. .A56–.A58)</p>	<p><b>.A56</b> For certain subject matter AT-C sections, specific subsequent events requirements and related application guidance have been developed for engagement performance and reporting.</p>
	<p><b>.A57</b> Procedures that a practitioner may perform to identify subsequent events include inquiring about and considering information</p> <ul style="list-style-type: none"> <li>• contained in relevant reports issued during the subsequent period by internal auditors, other practitioners, or regulatory agencies.</li> <li>• obtained through other professional engagements for that entity.</li> </ul>
	<p><b>.A58</b> If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent users of the practitioner’s report from being misled, appropriate actions the practitioner may take include the following:</p> <ul style="list-style-type: none"> <li>• Disclosing the event in the practitioner’s report and modifying the practitioner’s opinion</li> <li>• Withdrawing from the engagement</li> </ul>
<p><b>.49</b> The practitioner has no responsibility to perform any procedures regarding the subject matter or assertion after the date of the practitioner’s report. Nevertheless, the practitioner should respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. .A59 –.A60)</p>	<p><b>.A59</b> Subsequent to the date of the practitioner’s report, the practitioner may become aware of facts that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. In such circumstances, the practitioner undertakes to determine if the facts existed at the date of the report and, if so, whether persons who would attach</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>importance to these facts are currently using, or are likely to use, the report and related subject matter or assertion. This may include discussing the matter with the appropriate party and requesting the appropriate party’s cooperation in whatever investigation or further action may be necessary. The specific actions to be taken in a particular case by the appropriate party and the practitioner may vary with the circumstances. Consideration may be given to, among other things, the time elapsed since the date of the report and whether issuance of a subsequent report is imminent. The practitioner may need to perform additional procedures deemed necessary to determine whether the subject matter or assertion needs revision and whether the previously issued report continues to be appropriate.</p>
	<p><b>.A60</b> Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party to persons who would attach importance to the facts and who are currently using, or are likely to use, the practitioner’s report is necessary. This may be the case, for example, when</p> <ul style="list-style-type: none"> <li><i>a.</i> the report is not to be relied upon because the subject matter or assertion needs revision or the practitioner is unable to determine whether revision is necessary, and</li> <li><i>b.</i> issuance of a subsequent report is not imminent.</li> </ul> <p>If the appropriate party failed to take the necessary steps to prevent reliance on the report, the practitioner’s course of action depends on the practitioner’s legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and its effect on the subject matter or assertion and the report,</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>avoiding comments concerning the conduct or motives of any person.</p>
<p><b>Written Representations</b></p> <p><b>.50</b> The practitioner should request from the appropriate party written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. .A61–.A66)</p> <ul style="list-style-type: none"> <li>a. Acknowledge the responsibilities of the appropriate party, including that <ul style="list-style-type: none"> <li>i. the responsible party is responsible for the subject matter in accordance with (or based on) the criteria and</li> <li>ii. the appropriate party is responsible for <ul style="list-style-type: none"> <li>(1) identifying the criteria for the measurement, evaluation, or disclosure of the subject matter and</li> </ul> </li> </ul> </li> </ul>	<p><b>Written Representations (Ref: par. .50–.51)</b></p> <p><b>.A61</b> The term <i>appropriate party</i> is used in paragraph .50 to accommodate situations in which the engaging party is not the responsible party. In such situations, a particular representation may be applicable to only the responsible party, only the engaging party, or both parties.</p> <p><b>.A62</b> 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</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>(2) determining that such criteria are suitable and will be available to the intended users.</p> <p><i>b.</i> State that the appropriate party has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement.</p> <p><i>c.</i> State that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed by the subject matter and the date of the practitioner’s report.</p> <p><i>d.</i> State that the appropriate party has disclosed to the practitioner</p> <ul style="list-style-type: none"> <li><i>i.</i> all deficiencies in internal control relevant to the engagement of which the responsible party is aware;</li> <li><i>ii.</i> its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter; and</li> <li><i>iii.</i> other matters as the practitioner deems appropriate.</li> </ul> <p><i>e.</i> State that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion have been disclosed to the practitioner. (Ref: par. .A64)</p> <p><i>f.</i> State whether a party other than the practitioner has measured or evaluated the subject matter against the criteria, and, if another party has measured or evaluated the subject matter, the results of that measurement or evaluation. (Ref: par. .A65)</p> <p><i>g.</i> If applicable, state that the responsible party believes the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the subject matter. (Ref: par. .A66)</p> <p><i>h.</i> If applicable, state that significant assumptions used in making any material estimates are reasonable.</p>	<p>example, the management and governance structure of the responsible party, which may vary by entity, reflecting influences such as size and ownership characteristics.</p> <p><b>.A63</b> 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.</p> <p><b>.A64</b> A discussion of what is considered a material effect on the subject matter or assertion may be included explicitly in the representation letter in qualitative or quantitative terms.</p> <p><b>.A65</b> The results of the appropriate party’s measurement or evaluation of the subject matter against the criteria may be provided to the practitioner in a separate written assertion or as a representation in the representation letter.</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<b>.A66</b> A summary of uncorrected misstatements ordinarily is included in or attached to the written representation.
<b>.51</b> When the engaging party is not the responsible party, the practitioner should request written representations from both the responsible party and the engaging party, as applicable. (Ref: par. .A67)	<b>.A67</b> When the engaging party is not the responsible party, examples of written representations the practitioner may request from the engaging party are representations that do the following: <ul style="list-style-type: none"> <li><i>a.</i> Acknowledge that the responsible party is responsible for the subject matter and, if applicable, the assertion.</li> <li><i>b.</i> Acknowledge the engaging party’s responsibility for selecting the criteria, when applicable.</li> <li><i>c.</i> Acknowledge the engaging party’s responsibility for determining that such criteria are appropriate for its purposes.</li> <li><i>d.</i> State that the engaging party is not aware of any material misstatements in the subject matter or assertion.</li> <li><i>e.</i> State that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion.</li> <li><i>f.</i> Address other matters as the practitioner deems appropriate. (Ref: par. .51)</li> </ul>
<b>.52</b> When written representations are directly related to matters that are material to the subject matter, the practitioner should <ul style="list-style-type: none"> <li><i>a.</i> evaluate their reasonableness and consistency with other evidence obtained, including other representations, and</li> <li><i>b.</i> consider whether those making the representations can be expected to be well informed on the particular matters.</li> </ul>	

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.53</b> The date of the written representations should be as of the date of the practitioner’s report. The written representations should address the subject matter and periods covered by the practitioner’s opinion.</p>	
<p><b>Requested Written Representations Not Provided or Not Reliable</b></p> <p><b>.54</b> When one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should do the following: (Ref: par. .A68–.A70)</p> <ol style="list-style-type: none"> <li>a. Discuss the matter with the appropriate party.</li> <li>b. Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general.</li> <li>c. If any of the matters are not resolved to the practitioner’s satisfaction, take appropriate action, including determining the possible effect on the opinion in the practitioner’s report.</li> </ol>	<p><b>Requested Written Representations Not Provided or Not Reliable (Ref: par. .47 and .54)</b></p> <p><b>.A68</b> The engaging party’s refusal to furnish written representations constitutes a limitation on the scope of the examination. Such refusal is often sufficient to preclude an unmodified opinion and, particularly with respect to the representations in paragraph .A67, may cause a practitioner to disclaim an opinion or withdraw from the engagement when withdrawal is possible under applicable law or regulation. However, based on the nature of the representations not obtained or the circumstances of the refusal, the practitioner may conclude that a qualified opinion is appropriate.</p> <p><b>.A69</b> Circumstances in which the practitioner may be unable to obtain one or more requested written representations from a responsible party that is not the engaging party include, for example, the following:</p> <ul style="list-style-type: none"> <li>• When the engaging party does not have a relationship with the responsible party</li> <li>• When the examination is undertaken against the wishes of the responsible party, for example when required by law or regulation</li> </ul> <p>In these or other circumstances, the practitioner may need to reconsider whether the responsible party is able or willing to take responsibility for the subject matter. Additionally, the practitioner may not have access to the evidence needed to support the practitioner’s opinion. If this is the case, paragraph .47 of this AT-C section applies. (Ref: par. .47, .69b, and .73)</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<b>.A70</b> The practitioner may determine after performing the procedures in items (a)–(b) of paragraph .54, that an oral representation may provide a portion of the evidence needed with respect to the matter addressed by the representation, for example when the engaging party is not the responsible party.
<b>Other Information</b>	<b>Other Information (Ref: par. .55)</b>
<b>.55</b> If prior to or after the release of the practitioner’s report on subject matter or an assertion, the practitioner is willing to permit the inclusion of the report in a document that contains the subject matter or assertion and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter, assertion, or report. If upon reading the other information, in the practitioner’s professional judgment, either of the following applies, the practitioner should discuss the matter with the appropriate party and take further action as appropriate: (Ref: par. .A71–.A72) <i>a.</i> A material inconsistency between that other information and the subject matter, assertion, or the report exists. <i>b.</i> A material misstatement of fact exists in the other information, the subject matter, assertion, or practitioner’s report.	<b>.A71</b> Further actions that may be appropriate if the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact include, for example, the following: <ul style="list-style-type: none"> <li>• Requesting the appropriate party to consult with a qualified third party, such as the appropriate party’s legal counsel</li> <li>• Obtaining legal advice about the consequences of different courses of action</li> <li>• If required or permissible, communicating with third parties (for example, a regulator)</li> <li>• Describing the material inconsistency in the practitioner’s report</li> <li>• Withdrawing from the engagement, when withdrawal is possible under applicable laws and regulations</li> </ul>
	<b>.A72</b> Other information does not include information contained on the appropriate party’s website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph .55.
<b>Description of Criteria</b>	<b>Description of Criteria (Ref: par. .56)</b>
<b>.56</b> The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A73–.A74)	<b>.A73</b> The description of the criteria on which the subject matter or assertion is based is particularly important when there are significant differences among various criteria regarding how particular matters may be treated in the subject matter.
	<b>.A74</b> A description of the criteria that states that the subject matter is prepared in accordance with (or based on) particular

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective.
<b>Forming the Opinion</b>	<b>Forming the Opinion (Ref: par. .57–.58)</b>
<p><b>.57</b> The practitioner should form an opinion about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or the assertion is fairly stated, in all material respects. In forming that opinion, the practitioner should evaluate</p> <ul style="list-style-type: none"> <li>a. the practitioner’s conclusion regarding the sufficiency and appropriateness of evidence obtained and (Ref: par. .A75)</li> <li>b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A76)</li> </ul>	<p><b>.A75</b> The practitioner’s professional judgment regarding what constitutes sufficient appropriate evidence is influenced by such factors as the following:</p> <ul style="list-style-type: none"> <li>• The significance of a potential misstatement and the likelihood that it will have a material effect, individually or aggregated with other potential misstatements, on the subject matter or assertion</li> <li>• The effectiveness of the responsible party’s responses to address the known risks</li> <li>• The experience gained during previous examination or limited assurance engagements with respect to similar potential misstatements</li> <li>• The results of procedures performed, including whether such procedures identified specific misstatements</li> <li>• The source and reliability of the available information</li> <li>• The persuasiveness of the evidence</li> <li>• The practitioner’s understanding of the responsible party and its environment</li> </ul>
	<p><b>.A76</b> An examination engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the risk assessments and planned procedures were based may come to the practitioner’s attention. Examples of such information include the following:</p> <ul style="list-style-type: none"> <li>• The extent of the misstatements that the practitioner detects is greater than expected. (This may alter the practitioner’s professional judgment about the reliability of particular sources of information.)</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• The practitioner may become aware of discrepancies in relevant information or conflicting or missing evidence.</li> <li>• Procedures performed toward the end of the engagement may indicate a previously unrecognized risk of material misstatement. In such circumstances, the practitioner may need to reevaluate the planned procedures.</li> </ul>
<b>.58</b> The practitioner should evaluate, based on the evidence obtained, whether the presentation of the subject matter or assertion is misleading within the context of the engagement. (Ref: par. .A77–.A78)	<p><b>.A77</b> In making the evaluation required by paragraph .58, the practitioner may consider whether additional disclosures are necessary to describe the subject matter, assertion, or criteria. Additional disclosures may, for example, include the following:</p> <ul style="list-style-type: none"> <li>• The measurement or evaluation methods used when the criteria allow for choice among methods</li> <li>• Significant interpretations made in applying the criteria in the engagement circumstances</li> <li>• Subsequent events, depending on their nature and significance</li> <li>• Whether there have been any changes in the measurement or evaluation methods used</li> </ul>
	<b>.A78</b> Paragraph .58 does not require the practitioner to determine whether the presentation discloses all matters related to the subject matter, assertion, or criteria or all matters intended users may consider in making decisions based on the presentation.
<b>Preparing the Practitioner’s Report</b>	<b>Preparing the Practitioner’s Report (Ref: par. .59–.60)</b>
<b>.59</b> The practitioner’s report should be in writing. (Ref: par. .A79–.A81)	<b>.A79</b> Oral and other forms of expressing an opinion can be misunderstood without the support of a written practitioner’s report. For this reason, the practitioner may not report orally or by use of symbols (such as a web seal) under the attestation standards without also providing a written report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written report on the internet.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A80</b> This section does not require a standardized format for reporting on all examination engagements. Instead, it identifies the basic elements that the practitioner’s report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.</p>
	<p><b>.A81</b> The practitioner may choose to issue a report that contains only the minimum reporting elements included in paragraphs .62–.63 of this section or may issue a report that expands on or supplements those elements. In addition to the basic elements, the report may include information or explanations that are not intended to affect the practitioner’s opinion, for example, detail about the terms of the engagement, the applicable criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved with the engagement, a description of the procedures the practitioner performed, and, in some cases, recommendations. The practitioner may find it helpful to consider the importance of providing such information to the information needs of the intended users. As required by paragraph .79, additional information is clearly separated from the practitioner's opinion and phrased in a manner that makes clear that it is not intended to detract from that opinion.</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>														
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>													
<p><b>.60</b> A practitioner should report on a written assertion or directly on the subject matter. As discussed in paragraph .78, if the opinion is modified because of a material misstatement, the practitioner should report directly on the subject matter. Additionally, before the practitioner reports on management’s assertion, the practitioner should use professional judgment in determining whether management has a reasonable basis for making its assertion. (Ref: par. .A82–.A83)</p>	<p><b>.A82</b> All of the following reporting options are available to a practitioner, except when the circumstances described in paragraph .78 exist:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"><i>The practitioner’s report may state that the practitioner examined</i></td> <td style="text-align: center; padding: 5px;"><i>and</i></td> <td style="padding: 5px;"><i>expresses an opinion on</i></td> </tr> <tr> <td style="padding: 5px;">the subject matter</td> <td></td> <td style="padding: 5px;">the subject matter.</td> </tr> <tr> <td style="padding: 5px;">the responsible party’s assertion</td> <td></td> <td style="padding: 5px;">the responsible party’s assertion.</td> </tr> <tr> <td style="padding: 5px;">the responsible party’s assertion</td> <td></td> <td style="padding: 5px;">the subject matter.</td> </tr> </table>		<i>The practitioner’s report may state that the practitioner examined</i>	<i>and</i>	<i>expresses an opinion on</i>	the subject matter		the subject matter.	the responsible party’s assertion		the responsible party’s assertion.	the responsible party’s assertion		the subject matter.
	<i>The practitioner’s report may state that the practitioner examined</i>	<i>and</i>	<i>expresses an opinion on</i>											
	the subject matter		the subject matter.											
	the responsible party’s assertion		the responsible party’s assertion.											
the responsible party’s assertion		the subject matter.												
<p><b>.A83</b> What constitutes a reasonable basis for the responsible party’s assertion depends on the nature of the subject matter and other engagement circumstances. In some cases, a formal process with extensive internal control may be needed to provide the measurer or evaluator with a reasonable basis for making its assertion. The fact that the practitioner will report on the subject matter is not a substitute for the measurer or evaluator’s own processes to have a reasonable basis for its assertion.</p>														
<p><b>.61</b> The practitioner should obtain an assertion if the practitioner is reporting on the assertion. The assertion should be bound with or accompany the practitioner’s report, or the assertion should be clearly stated in the report. (Ref: par. .A84)</p>	<p><b>.A84</b> The following are examples of assertions that have been tailored to reflect the nature of the subject matter and criteria for the engagement:</p> <ul style="list-style-type: none"> <li>• The entity maintained effective internal control over the subject matter based on the criteria.</li> <li>• The subject matter is presented in accordance with (or based on) the criteria.</li> <li>• The subject matter is presented fairly, based on the criteria.</li> </ul>													

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Content of the Practitioner's Report</b>	
<b>.62</b> The practitioner's report should include the following, unless the practitioner is disclaiming an opinion, in which case, items .62g and .62h should be omitted:	<b>Content of the Practitioner's Report</b>
	<b>Title (Ref: par. .62a)</b>
a. A title that includes the word independent. (Ref: par. .A85)	<b>.A85</b> 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.
b. An appropriate addressee as required by the circumstances of the engagement.	
c. An identification or description of the subject matter or assertion being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter or assertion relates.	
	<b>Criteria (Ref: par. .62d)</b>
d. An identification of the criteria against which the subject matter was measured or evaluated. (Ref: par. .A86)	<b>.A86</b> The practitioner's report may include the criteria or refer to them if they are included in the subject matter presentation, in the assertion, 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 .A77.
	<b>Relevant Responsibilities (Ref: par. .62e)</b>
e. A statement that identifies the responsible party and its responsibility for the subject matter in accordance with (or based on) the criteria or for its assertion. (Ref: par .A87-.A89)	<b>.A87</b> Identifying relative responsibilities informs the intended users that the responsible party is responsible for the subject matter and that the practitioner's role is to independently express an opinion about it.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A88</b> The practitioner may wish to expand the discussion of the responsible party’s responsibility, for example, to indicate that the responsible party is responsible for the preparation and presentation of the subject matter in accordance with (or based on) the criteria, including the design, implementation, and maintenance of internal control to prevent, or detect and correct, misstatement of the subject matter, due to fraud or error.</p>
	<p><b>.A89</b> The practitioner’s report may include a statement indicating that the responsible party</p> <ul style="list-style-type: none"> <li>• measured or evaluated the subject matter in accordance with (or based on) the criteria and provided the practitioner with the results of that measurement or evaluation in its written assertion or</li> <li>• did not measure or evaluate the subject matter in accordance with (or based on) the criteria.</li> </ul>
<p>f. A statement that the practitioner’s responsibility is to express an opinion on the subject matter or assertion, based on the practitioner’s examination.</p>	
	<p><b><i>Statement About the Subject Matter and the Criteria (Ref: par. .62gi and .62gii[1])</i></b></p>
<p>g. A statement that</p> <ul style="list-style-type: none"> <li>i. the practitioner’s examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. (Ref: par. .A90)</li> <li>ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether (1) the subject matter is in accordance with (or based on) the criteria, in all material respects, (or equivalent language regarding the subject matter and criteria, such as the language used in the examples in paragraph .A91) or</li> </ul>	<p><b>.A90</b> In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, AT-C section 320, <i>Reporting on an Examination of Controls Relevant to User Entities’ Internal Control Over Financial Reporting</i>, of the attestation standards established by the American Institute of Certified Public Accountants.</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>(2) the responsible party’s assertion is fairly stated, in all material respects.</p> <p>iii. the practitioner believes the evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner’s opinion.</p>	<p><b>.A91</b> The language in paragraph .62gii(1) may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .62gii(1) include “to obtain reasonable assurance about whether</p> <ul style="list-style-type: none"> <li>• the entity maintained effective internal control over the subject matter, based on the criteria, in all material respects.”</li> <li>• the subject matter is presented in accordance with (or based on) the criteria, in all material respects.”</li> <li>• the subject matter achieves the objectives, in all material respects.” (For example, when the objectives are the criteria)</li> <li>• the subject matter is presented fairly, in all material respects, based on the criteria.” (The practitioner’s professional judgment concerning the fairness of the presentation of the subject matter relates to whether the measurement, recognition, presentation, and disclosure of all material items in the presentation of the subject matter achieve fair presentation.)</li> </ul>
	<p><b><i>Description of the Nature of an Examination Engagement (Ref: par. .62h)</i></b></p>
<p><i>h.</i> A description of the nature of an examination engagement. (Ref: par. .A92–.A94)</p>	<p><b>.A92</b> A description of the nature of an examination engagement may state, for example, the following:</p> <ul style="list-style-type: none"> <li>• An examination involves performing procedures to obtain evidence about the subject matter, and 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, whether due to fraud or error.</li> <li>• An examination also involves examining evidence about the subject matter or assertion.</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• In making an assessment of the risks of material misstatement, the practitioner considered and obtained an understanding of internal control relevant to the subject matter in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, no such opinion is expressed.</li> </ul>
	<p><b>.A93</b> The practitioner may decide to more fully describe the practitioner’s responsibility, for example, to</p> <ul style="list-style-type: none"> <li>• perform procedures to obtain evidence based on the practitioner’s assessment of the risk of material misstatement about whether the subject matter is presented in accordance with (or based on) the criteria.</li> <li>• obtain an understanding of internal control over the subject matter.</li> </ul>
	<p><b>.A94</b> The practitioner may be requested to provide in a separate section of the practitioner’s report a description of the procedures performed and the results thereof in support of the practitioner’s opinion. The following factors are relevant when determining whether to include such a description in the report:</p> <ul style="list-style-type: none"> <li>• Whether such a description is likely to overshadow the practitioner’s overall opinion or cause report users to misunderstand the opinion</li> <li>• 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 an 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.)</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• Whether the parties have an understanding of the nature and subject matter of the engagement and experience in using the information in such reports</li> <li>• Whether the practitioner’s procedures performed directly relate to the subject matter of the engagement</li> </ul> <p>The addition of procedures performed and the results thereof in a separate section of an examination report may increase the potential for the report to be misunderstood when taken out of the context of the knowledge of the requesting parties. This potential for an increase in the risk of misunderstanding may lead the practitioner to add a restricted-use paragraph to the practitioner’s report.</p>
	<b><i>Relevant Ethical Requirements (Ref: par. .62i)</i></b>
<p><i>i</i> A statement that the practitioner is independent and has fulfilled the practitioner’s other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement (Ref: par. .A95–.A96)</p>	<p><b>.A95</b> 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).<sup>†</sup></p> <p><b>.A96</b> 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 <i>Government Auditing Standards</i> promulgated by the Comptroller General of the United States) or may refer to a term that appropriately describes those sources.</p>

<sup>†</sup> All ET sections can be found in AICPA *Professional Standards*.

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<b><i>Inherent Limitations (Ref: par. .62j)</i></b>
<p><i>j.</i> A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A97)</p>	<p><b>.A97</b> In some cases, identification of specific inherent limitations is required by an AT-C section. For example, AT-C section 305, <i>Prospective Financial Information</i>, requires that the practitioner’s report include a statement indicating that the prospective results may not be achieved.<sup>5</sup>To implement that requirement, the illustrative practitioner’s examination report on a forecast in AT-C section 305 states, “There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.”<sup>6</sup> When not explicitly required by an AT-C section, identification in the report of inherent limitations is based on the practitioner’s judgment.</p>
	<b><i>Opinion (Ref: par. .62k)</i></b>
<p><i>k.</i> The practitioner’s opinion about whether (Ref: par. .A98–.A101)</p>	<p><b>.A98</b> The practitioner’s opinion can be worded either in terms of the subject matter and the criteria (for example, “In our opinion, the schedule of investment returns of XYZ Company for the year ended December 31, 20XX, is in accordance with [or based on] the ABC criteria set forth in Note 1, in all material respects.”) or in terms of an assertion made by the responsible party (for example, “In our opinion, management’s assertion that the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, is presented in accordance with [or based on] the ABC criteria set forth in Note 1 is fairly stated, in all material respects.”).</p>
<p><i>i.</i> the subject matter is in accordance with (or based on) the criteria, in all material respects, or</p> <p><i>ii.</i> the responsible party’s assertion is fairly stated, in all material respects.</p>	<p><b>.A99</b> The language of the practitioner’s opinion in paragraph .62ki may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .62ki include the following:</p>

<sup>5</sup> Paragraph .31k of AT-C section 305, *Prospective Financial Information*.

<sup>6</sup> Example 1 in paragraph .A42 of AT-C section 305.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• “The entity maintained effective internal control over the subject matter, in all material respects, based on the criteria.”</li> <li>• “The subject matter is presented in accordance with (or based on) the criteria, in all material respects.”</li> <li>• “The subject matter achieved the objectives, in all material respects.” (When the objectives are the criteria)</li> <li>• “The subject matter is free from material misstatement based on the criteria.”</li> <li>• “The subject matter is presented fairly, in all material respects, based on the criteria.” (The practitioner’s professional judgment concerning the fairness of the presentation of the subject matter relates to whether the measurement, recognition, presentation, and disclosure of all material items in the presentation of the subject matter achieve fair presentation.)</li> </ul>
	<p><b>.A100</b> A single practitioner’s report may cover more than one aspect of a subject matter or an assertion about the subject matter. When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter or assertion (for example, examination level related to some aspects or assertions and limited assurance level related to others, or an unmodified opinion on some aspects or assertions and a modified opinion on others).</p>
	<p><b>.A101</b> A practitioner may report on subject matter or an assertion at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner’s report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed</p>

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	may be disclosed in the presentation of the subject matter, in the written assertion, or in the report, even if the subject matter for the preceding date or period is not presented.
<i>l.</i> The manual or printed signature of the practitioner’s firm.	<b>Location (Ref: par. .62m)</b>
<i>m.</i> The city and state where the practitioner practices. (Ref: par. .A102)	<b>.A102</b> 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.
	<b>Date (Ref: par. .62n)</b>
<i>n.</i> The date of the report. The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner’s opinion, including evidence that <ul style="list-style-type: none"> <li><i>i.</i> the attestation documentation has been reviewed,</li> <li><i>ii.</i> if applicable, the written presentation of the subject matter has been prepared, and</li> <li><i>iii.</i> the appropriate party has provided all necessary representations. (Ref: par. .A103–.A104)</li> </ul>	<b>.A103</b> Including the date of the practitioner’s report informs the intended users that the practitioner has considered the effect of the events that occurred up to that date on the subject matter and the report.
	<b>.A104</b> Because the practitioner expresses an opinion on the subject matter or assertion and the subject matter or assertion is the responsibility of the responsible party, the practitioner is not in a position to conclude that sufficient appropriate evidence has been obtained until evidence is obtained that all the elements that the subject matter or assertion comprises, including any related notes, when applicable, have been prepared, and the responsible party has accepted responsibility for them.
<b>Restricted-Use Paragraph</b>	<b>Restricted-Use Paragraph (Ref: par. .63 and .64b–c)</b>
<b>.63</b> In the following circumstances, the practitioner’s report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .A105–.A107)	<b>.A105</b> A practitioner’s report for which the conditions in paragraph .63 do not apply need not include an alert that restricts its use. However, nothing in the attestation standards precludes a practitioner from including such an alert in any practitioner’s report or other practitioner’s written communication.

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A106</b> A practitioner’s report that is required by paragraph .63 to include an alert that restricts the use of the report may be included in a document that also contains a practitioner’s report that is for general use. In such circumstances, the use of the general use report is not affected.</p>
	<p><b>.A107</b> A practitioner may also issue a single combined practitioner’s report that includes</p> <ul style="list-style-type: none"> <li>a. a practitioner’s report that is required by paragraph .63 to include an alert that restricts its use and</li> <li>b. a report that is for general use.</li> </ul> <p>If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headings, the alert that restricts the use of the report may be limited to the report required by paragraph .63 to include such an alert. In such circumstances, the use of the general use report is not affected.</p>
a. The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.	
b. The criteria used to evaluate the subject matter are available only to specified parties.	
c. The criteria are designed for a specific purpose.	
<p><b>.64</b> The alert should</p> <ul style="list-style-type: none"> <li>a. state that the practitioner’s report is intended solely for the information and use of the specified parties,</li> <li>b. identify the specified parties for whom use is intended, and (Ref: par. .A108)</li> <li>c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A109–.A111)</li> </ul>	<p><b>.A108</b> The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, “all customers of XYZ Company during some or all of the period January 1, 20XX, to December 31, 20XX.” The method of identifying the specified parties is determined by the practitioner.</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A109</b> In some cases, the criteria used to measure or evaluate the subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts users of the practitioner’s report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.</p>
	<p><b>.A110</b> The alert that restricts the use of the practitioner’s report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the responsible party and, if different, the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the responsible party or, if different, the engaging party that the intended use of the report will be restricted and may obtain the responsible party’s agreement that the responsible party and specified parties will not distribute such report to parties other than those identified therein. A practitioner is not responsible for controlling, and cannot control, distribution of the report after its release.</p>
	<p><b>.A111</b> In some cases, a restricted-use practitioner’s report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to a restricted-use report in which it is not named as a specified party.</p>
<p><b>.65</b> When the engagement is also performed in accordance with <i>Government Auditing Standards</i>, the alert that restricts the use of the</p>	

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>practitioner’s report should include the following information, rather than the information required by paragraph .64:</p> <ul style="list-style-type: none"> <li>a. A description of the purpose of the report</li> <li>b. A statement that the report is not suitable for any other purpose</li> </ul>	
<b>Reference to the Practitioner’s Specialist</b>	<b>Reference to the Practitioner’s Specialist (Ref: par. .66)</b>
<b>.66</b> The practitioner should not refer to the work of a practitioner’s specialist in the practitioner’s report containing an unmodified opinion. (Ref: par. .A112)	<b>.A112</b> The practitioner has sole responsibility for the opinion expressed, and that responsibility is not reduced by the practitioner’s use of the work of a practitioner’s specialist.
<b>Modified Opinions</b>	<b>Modified Opinions (Ref: par. .67, .69, and .73)</b>
<b>.67</b> The practitioner should modify the opinion when either of the following circumstances exist and, in the practitioner’s professional judgment, the effect of the matter is or may be material: (Ref: par. .A113–.A114)	<b>.A113</b> The three types of modified opinions are a qualified opinion, an adverse opinion, and a disclaimer of opinion. The decision regarding which type of modified opinion is appropriate depends on the following:
<ul style="list-style-type: none"> <li>a. The practitioner is unable to obtain sufficient appropriate evidence to conclude that the subject matter is in accordance with (or based on) the criteria, in all material respects.</li> <li>b. The practitioner concludes, based on evidence obtained, that the subject matter is not in accordance with (or based on) the criteria, in all material respects.</li> </ul>	<ul style="list-style-type: none"> <li>a. The nature of the matter giving rise to the modification (that is, whether the subject matter of the engagement is in accordance with [or based on] the criteria, in all material respects, or, in the case of an inability to obtain sufficient appropriate evidence, may be materially misstated)</li> <li>b. The practitioner’s professional judgment about the pervasiveness of the effects or possible effects of the matter on the subject matter of the engagement</li> </ul>
	<b>.A114</b> A practitioner may express an unmodified opinion only when the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that the practitioner considers necessary in the circumstances.
<b>.68</b> When the practitioner modifies the opinion, the practitioner should include a separate paragraph in the practitioner’s report that provides a description of the matter giving rise to the modification.	
<b>.69</b> The practitioner should express a qualified opinion when either of the following applies: (Ref: par. .A115–.A118)	<b>.A115</b> The term <i>pervasive</i> describes the effects on the subject matter of misstatements or the possible effects on the subject matter of misstatements, if any, that are undetected due to an

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>											
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>										
<p><i>a.</i> The practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the subject matter.</p> <p><i>b.</i> The practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, but the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material but not pervasive.</p>	<p>inability to obtain sufficient appropriate evidence. Pervasive effects on the subject matter are those that, in the practitioner’s professional judgment,</p> <ul style="list-style-type: none"> <li><i>a.</i> are not confined to specific aspects of the subject matter;</li> <li><i>b.</i> if so confined, represent or could represent a substantial proportion of the subject matter; or</li> <li><i>c.</i> in relation to disclosures, are fundamental to the intended users’ understanding of the subject matter.</li> </ul>										
	<p><b>.A116</b> The following table illustrates how the practitioner’s professional judgment about the nature of the matter giving rise to the modification and the pervasiveness of its effects or possible effects on the subject matter affect the type of practitioner’s report to be issued.</p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 33%; background-color: #e0e0e0;"><b>Nature of Matter Giving Rise to the Modification</b></th> <th colspan="2" style="width: 67%; background-color: #e0e0e0;"><b>Practitioner’s Professional Judgment About the Pervasiveness of the Effects or Possible Effects on the Subject Matter</b></th> </tr> <tr> <td></td> <th style="width: 33%; background-color: #e0e0e0;"><i>Material but Not Pervasive</i></th> <th style="width: 34%; background-color: #e0e0e0;"><i>Material and Pervasive</i></th> </tr> </thead> <tbody> <tr> <td>Scope limitation. An inability to obtain sufficient appropriate evidence.</td> <td>Qualified opinion</td> <td>Disclaimer of opinion</td> </tr> </tbody> </table>		<b>Nature of Matter Giving Rise to the Modification</b>	<b>Practitioner’s Professional Judgment About the Pervasiveness of the Effects or Possible Effects on the Subject Matter</b>			<i>Material but Not Pervasive</i>	<i>Material and Pervasive</i>	Scope limitation. An inability to obtain sufficient appropriate evidence.	Qualified opinion	Disclaimer of opinion
<b>Nature of Matter Giving Rise to the Modification</b>	<b>Practitioner’s Professional Judgment About the Pervasiveness of the Effects or Possible Effects on the Subject Matter</b>										
	<i>Material but Not Pervasive</i>	<i>Material and Pervasive</i>									
Scope limitation. An inability to obtain sufficient appropriate evidence.	Qualified opinion	Disclaimer of opinion									

<b>Proposed AT-C Section 205, Examination Engagements</b>			
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>		
	Subject matter is materially misstated.	Qualified opinion	Adverse opinion
	<p><b>.A117</b> A scope limitation may arise from the following:</p> <ul style="list-style-type: none"> <li>a. Circumstances beyond the control of the appropriate party. For example, documentation that the practitioner considers necessary to inspect may have been accidentally destroyed.</li> <li>b. Circumstances relating to the nature or timing of the practitioner’s work. For example, a physical process that the practitioner considers necessary to observe may have occurred before the practitioner’s engagement.</li> <li>c. Limitations imposed by the responsible party or the engaging party on the practitioner that, for example, may prevent the practitioner from performing a procedure that the practitioner considers necessary in the circumstances.</li> </ul> <p>Limitations of this kind may have other implications for the engagement, such as for the practitioner’s consideration of risks of material misstatement and engagement acceptance and continuance.</p>		
	<p><b>.A118</b> The practitioner’s decision to express a qualified opinion, disclaim an opinion, or withdraw from the engagement because of a scope limitation depends on an assessment of the effect of the omitted procedures on the practitioner’s ability to express an opinion. This assessment will be affected by the nature and magnitude of the potential effects of the matters in question and by their significance to the subject matter or assertion.</p>		
<p><b>.70</b> When the practitioner expresses a qualified opinion due to a material misstatement of the subject matter, the practitioner should state that, in practitioner’s opinion, except for the effects of the matter giving rise to the modification, the subject matter is presented in accordance with (or</p>			

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
based on) the criteria, in all material respects. When the modification arises from an inability to obtain sufficient appropriate evidence, the practitioner should use the corresponding phrase "except for the possible effects of the matter(s)..." for the modified opinion.	
<b>.71</b> The practitioner should express an adverse opinion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter.	
<b>.72</b> When the practitioner expresses an adverse opinion, the practitioner should state that, in the practitioner's opinion, because of the significance of the matter giving rise to the modification, the subject matter is not presented in accordance with (or based on) the criteria, in all material respects.	
<b>.73</b> The practitioner should disclaim an opinion when the practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, and the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive. (Ref: par. .A119)	<b>.A119</b> An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate evidence by performing alternative procedures.
<b>.74</b> When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner's report should state the following: <ul style="list-style-type: none"> <li>a. Because of the significance of the matter giving rise to the modification, the practitioner has not been able to obtain sufficient appropriate evidence to provide a basis for an examination opinion and,</li> <li>b. accordingly, the practitioner does not express an opinion on the subject matter.</li> </ul>	
<b><i>Description of the Practitioner's Responsibility When the Practitioner Expresses a Qualified or an Adverse Opinion</i></b>	
<b>.75</b> When the practitioner expresses a qualified or an adverse opinion, the practitioner should amend the description of the practitioner's responsibility to state that the practitioner believes that the evidence the	

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
practitioner has obtained is sufficient and appropriate to provide a basis for the practitioner's modified opinion.	
<b><i>Description of the Practitioner's Responsibility When the Practitioner Disclaims an Opinion</i></b>	
<p><b>.76</b> When the practitioner disclaims an opinion due to an inability to obtain sufficient appropriate evidence, the practitioner should amend the practitioner's report to state that the practitioner was engaged to examine the subject matter (or assertion). The practitioner should also amend the description of the practitioner's responsibility and the description of an examination to state only the following:</p> <p style="padding-left: 40px;">Our responsibility is to express an opinion on the subject matter (or assertion) based on conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether the subject matter is in accordance with (or based on) the criteria, in all material respects.</p>	
<b>.77</b> If the practitioner expresses a modified opinion because of a scope limitation but is also aware of a matter that causes the subject matter to be materially misstated, the practitioner should include in the practitioner's report a clear description of both the scope limitation and the matter that causes the subject matter to be materially misstated.	
<b>.78</b> If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should modify the opinion and express a qualified or adverse opinion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.	
<b>.79</b> The practitioner's opinion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities. Any paragraphs	

<b>Proposed AT-C Section 205, Examination Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
emphasizing matters related to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear that these paragraphs are not intended to detract from that opinion.	
<b>.80</b> When the opinion is modified, reference to an external specialist is permitted when such reference is relevant to an understanding of the modification to the practitioner’s opinion. The practitioner should indicate in the practitioner’s report that such reference does not reduce the practitioner’s responsibility for that opinion.	
<b>Communication Responsibilities</b>	<b>Communication Responsibilities (Ref: par. .81–.82)</b>
<b>.81</b> The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, uncorrected misstatements, and, when relevant to the subject matter, internal control deficiencies identified during the engagement. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. .A120)	<b>.A120</b> Other matters that may be appropriate to communicate to the appropriate party include bias in the measurement, evaluation, or disclosure of the subject matter. (Ref: par. .81)
<b>.82</b> If the practitioner has identified or suspects noncompliance with laws or regulations that are not relevant to the subject matter, the practitioner should determine whether the practitioner has a responsibility to report the identified or suspected noncompliance to parties other than the responsible party and the engaging party (if different). (Ref: par. .A121–.A122)	<p><b>.A121</b> The practitioner’s professional duty to maintain the confidentiality of client information may preclude the practitioner from reporting identified or suspected noncompliance with laws or regulations that is not relevant to the subject matter to a party other than the responsible party and, if different, the engaging party. However, the practitioner’s legal responsibilities may vary by jurisdiction, and in certain circumstances, the duty of confidentiality may be overridden by statute, the law, or courts of law. In the following circumstances, a duty to notify parties outside the entity may exist:</p> <ul style="list-style-type: none"> <li>• In response to a court order</li> <li>• In compliance with requirements for examinations of entities that receive financial assistance from a government agency</li> </ul> <p>Because potential conflicts with the practitioner’s ethical and legal obligations for confidentiality may be complex, the</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	practitioner may consult with legal counsel before discussing noncompliance with parties outside the entity. (Ref: par. .82)
	<b>.A122</b> If the practitioner is performing an examination engagement in accordance with <i>Government Auditing Standards</i> , the practitioner may be required to report on compliance with laws, regulations, and provisions of contracts or grant agreements as part of the examination. The practitioner may also be required to communicate instances of noncompliance to appropriate oversight bodies and funding agencies. (Ref: par. .82)
<b>Documentation</b>	<b>Documentation (Ref: par. .83)</b>
<p><b>.83</b> The practitioner should prepare engagement documentation that is sufficient to determine the following: (Ref: par. .A123–.A126 )</p> <ul style="list-style-type: none"> <li>a. The nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including the following: <ul style="list-style-type: none"> <li>i. The identifying characteristics of the specific items or matters tested</li> <li>ii. Who performed the engagement work and the date such work was completed</li> <li>iii. The discussions with the responsible party or others about findings or issues that, in the practitioner’s professional judgment, are significant, including the nature of the significant findings or issues discussed, and when and with whom the discussions took place</li> <li>iv. When the engaging party is the responsible party and the responsible party will not provide one or more of the requested written representations or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations or that the written representations are otherwise not reliable, the matters in paragraph .54</li> <li>v. Who reviewed the engagement work performed and the date and extent of such review</li> </ul> </li> </ul>	<p><b>.A123</b> Documentation includes a record of the practitioner’s reasoning on all significant findings or issues that require the exercise of professional judgment and related conclusions. The existence of difficult questions of principle or professional judgment calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.</p>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>vi. If the practitioner identified information that is inconsistent with the practitioner’s final opinion regarding a significant matter, how the practitioner addressed the inconsistency</p> <p>b. The results of the procedures performed and the evidence obtained</p>	
	<p><b>.A124</b> It is neither necessary nor practical to document every matter considered, or professional judgment made, during an engagement. Further, it is unnecessary for the practitioner to document separately (as in a checklist) compliance with matters for which compliance is demonstrated by documents included in the engagement file. Similarly, the practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.</p>
	<p><b>.A125</b> In applying professional judgment to assess the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an experienced practitioner, having no previous connection with the engagement, with an understanding of the work performed and the basis of the principal decisions made.</p>
	<p><b>.A126</b> Documentation ordinarily includes a record of the following:</p> <ul style="list-style-type: none"> <li>• Issues identified with respect to compliance with relevant ethical requirements and how they were resolved</li> <li>• Conclusions on compliance with independence requirements that apply to the engagement and any relevant discussions with the firm that support these conclusions</li> <li>• Conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements</li> <li>• The nature and scope of, and conclusions resulting from, consultations undertaken during the engagement</li> </ul>

<b>Proposed AT-C Section 205, <i>Examination Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.84</b> If, in circumstances such as those described in paragraph .49, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner's report, the practitioner should document the following:</p> <ul style="list-style-type: none"><li><i>a.</i> The circumstances encountered</li><li><i>b.</i> The new or additional procedures performed, evidence obtained, and conclusions reached and their effect on the report</li><li><i>c.</i> When and by whom the resulting changes to the documentation were made and reviewed</li></ul>	

.A127

## **Exhibit—Illustrative Practitioner’s Examination Reports**

The illustrative practitioner’s examination reports in this exhibit meet the applicable reporting requirements in paragraphs .59–.80. A practitioner may use alternative language in drafting an examination report, provided that the language meets the applicable requirements in paragraphs .59–.80. The criteria for evaluating the subject matter in examples 1–3 and 5–6 have been determined by the practitioner to be suitable and available to all users of the practitioner’s report; therefore, these practitioner’s reports may be for general use. The criteria for evaluating the subject matter in example 4 are suitable but available only to specified parties; therefore, use of this practitioner’s report is restricted to the specified parties who either participated in the establishment of the criteria or can be presumed to have an adequate understanding of the criteria. (See paragraph .64 for the information to be included in a separate paragraph of the report that contains an alert that restricts the use of the report and paragraph .65 for the content of that paragraph when the engagement is also performed in accordance with *Government Auditing Standards*.)

### **Example 1: Practitioner’s Examination Report on Subject Matter; Unmodified Opinion**

The following is an illustrative practitioner’s report for an examination engagement in which the practitioner has examined the subject matter and is reporting on the subject matter.

#### **Independent Accountant’s Report**

*[Appropriate Addressee]*

We have examined *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*. XYZ Company’s management is responsible for *[identify the subject matter, for example, presenting the schedule of investment returns]* in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note I]*. Our responsibility is to express an opinion on *[identify the subject matter, for example, the schedule of investment returns]* based on our examination.

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

We are independent of XYZ Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our examination.

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

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

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

## **Example 2: Practitioner's Examination Report on an Assertion; Unmodified Opinion**

The following is an illustrative practitioner's report for an examination engagement in which the practitioner has examined the responsible party's assertion and is reporting on that assertion.

### **Independent Accountant's Report**

*[Appropriate Addressee]*

We have examined management of XYZ Company's assertion that *[identify the assertion, including the subject matter and the criteria, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, is presented in accordance with [or based on] the ABC criteria set forth in Note 1]*. XYZ Company's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, 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 independent of XYZ Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our examination.

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

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

In our opinion, management's assertion that *[identify the assertion, including the subject matter and the criteria, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, is presented in accordance with [or based on] the ABC criteria set forth in Note 1]* is fairly stated, in all material respects.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

### **Example 3: Practitioner's Examination Report in Which the Practitioner Examines Management's Assertion and Reports Directly on the Subject Matter; Unmodified Opinion**

The following is an illustrative practitioner's report for an examination engagement in which the practitioner has examined the responsible party's assertion and is reporting directly on the subject matter.

#### **Independent Accountant's Report**

*[Appropriate Addressee]*

We have examined management of XYZ Company's assertion that *[identify the assertion, including the subject matter and the criteria, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, is presented in accordance with [or based on] the ABC criteria set forth in Note 1]*. XYZ Company's management is responsible for its assertion. Our responsibility is to express an opinion on *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*, based on our examination.

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

We are independent of XYZ Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our examination.

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

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

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

#### **Example 4: Practitioner's Examination Report on Subject Matter; Unmodified Opinion; Use of the Practitioner's Report Is Restricted to Specified Parties**

The following is an illustrative practitioner's report for an examination engagement in which the criteria are suitable, but available only to specified parties; therefore, use of the report is restricted to the specified parties who either participated in the establishment of the criteria or can be presumed to have an adequate understanding of the criteria. The practitioner has examined the subject matter and is reporting on the subject matter.

#### **Independent Accountant's Report**

*[Appropriate Addressee]*

We have examined *[identify the subject matter, for example, the number of widgets sold by XYZ Company to ABC Company (or tons of coal mined by XYZ Company... or gallons of gas sold in the United States by XYZ Company to ABC Company) during the year ended December 31, 20XX,]* to determine whether it has been calculated in accordance with (or based on) *[identify the criteria, for example, the agreement dated (date) between ABC Company and XYZ Company, as further described in Note 1]*. XYZ Company's management is responsible for *[identify the subject matter, for example, calculating the number of widgets sold]* in accordance with (or based on) *[identify the criteria, for example, the agreement dated (date) between ABC Company and XYZ Company, as further described in Note 1]*. Our responsibility is to express an opinion on *[identify the subject matter, for example, the number of widgets sold by XYZ Company to ABC Company (or tons of coal mined by XYZ Company... or gallons of gas sold in the United States by XYZ Company to ABC Company) during the year ended December 31, 20XX,]* based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether *[identify the subject matter, for example, the number of widgets sold, tons of coal mined, or gallons of gas sold]* is in accordance with (or based on) the criteria, in all material respects. An examination involves performing procedures to obtain evidence about *[identify the subject matter, for example, the number of widgets sold, tons of coal mined, or gallons of gas sold]*. The nature, timing, and

extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of [*identify the subject matter, for example, the number of widgets sold by XYZ Company to ABC Company (or tons of coal mined by XYZ Company, or gallons of gas sold in the United States by XYZ Company to ABC Company)*], 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 independent of XYZ Company and ABC Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our examination.

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

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

In our opinion, [*identify the subject matter, for example, the number of widgets sold by XYZ Company to ABC Company (or tons of coal mined by XYZ Company, or gallons of gas sold in the United States by XYZ Company to ABC Company) during the year ended December 31, 20XX,*] has been calculated in accordance with (or based on) [*identify the criteria, for example, the agreement dated (date) between ABC Company and XYZ Company, as further described in Note 1*], in all material respects.

This report is intended solely for the information and use of [*identify the specified parties, for example, ABC Company and XYZ Company*], and is not intended to be and should not be used by anyone other than the specified parties.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

### **Example 5: Practitioner's Examination Report on Subject Matter; Qualified Opinion**

The following is an illustrative practitioner's report for an examination engagement in which the practitioner expresses a qualified opinion because conditions exist that, individually or in combination, result in one or more material, but not pervasive, misstatements of the subject matter based on (or in certain engagements, deviations from, exceptions to, or instances of noncompliance with) the criteria. The practitioner has examined the subject matter and is reporting on the subject matter. Paragraph .78 states, "If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should modify the opinion and should express a qualified or adverse opinion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement."

### Independent Accountant's Report

[Appropriate Addressee]

We have examined [*identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*]. XYZ Company's management is responsible for [*identify the subject matter, for example, presenting the schedule of investment returns*] in accordance with (or based on) [*identify the criteria, for example, the ABC criteria set forth in Note 1*]. Our responsibility is to express an opinion on [*identify the subject matter, for example, the schedule of investment returns*] based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether [*identify the subject matter, for example, the schedule of investment returns*] is presented in accordance with (or based on) the criteria, in all material respects.

An examination involves performing procedures to obtain evidence about [*identify the subject matter, for example, the schedule of investment returns*]. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of [*identify the subject matter, for example, the schedule of investment returns*], whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are independent of XYZ Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our examination.

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

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

Our examination disclosed [*describe condition(s) that, individually or in the aggregate, resulted in a material misstatement or deviation from the criteria*].

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

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]

### **Example 6: Practitioner’s Examination Report; Practitioner Engaged to Report on Subject Matter; Disclaimer of Opinion Because of Scope Limitation**

The following is an illustrative practitioner’s report for an examination engagement in which the practitioner was engaged to report on the subject matter but is disclaiming an opinion because of a scope limitation. (See paragraphs .67–.80 and the related application guidance for reporting guidance when a scope limitation exists.)

#### **Independent Accountant’s Report**

*[Appropriate Addressee]*

We were engaged to examine *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*, in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note 1]*. XYZ Company’s management is responsible for *[identify the subject matter, for example, presenting the schedule of investment returns]* in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note 1]*. Our responsibility is to express an opinion on *[identify the subject matter, for example, the schedule of investment returns]* based on conducting the examination in accordance with attestation standards established by the American Institute of Certified Public Accountants.

We are independent of XYZ Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our examination.

*[The first sentence of the practitioner’s report has been revised to state, “We were engaged to examine” rather than “We have examined.” The standards under which the practitioner conducts an examination have been identified at the end of the second sentence of the report, rather than in a separate sentence in the second paragraph of the report.]*

*[The report should omit statements*

- indicating what those standards require of the practitioner.*
- indicating that the practitioner believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the practitioner’s opinion.*
- describing the nature of an examination engagement.]*

*[Include a paragraph to describe scope limitations.]*

Because of the limitation on the scope of our examination discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, or the schedule of investment returns referred to above]* is in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note 1]*, in all material respects.

*[Practitioner’s signature]*

*[Practitioner’s city and state]*

*[Date of practitioner’s report]*

## Exposure Draft

### Proposed AT-C Section 210, *Limited Assurance Engagements*

#### CONTENTS

	<b>Paragraph</b>
<b>Introduction</b> .....	01
<b>Effective Date</b> .....	02
<b>Objectives</b> .....	03
<b>Definitions</b> .....	04
<b>Requirements</b>	
Conduct of a Limited Assurance Engagement.....	05–07
Agreeing on the Terms of the Engagement.....	08–10
Planning and Performing the Engagement .....	11–13
Materiality in Planning and Performing the Engagement.....	14–15
Procedures to Be Performed .....	16–18
Analytical Procedures .....	19–20
Inquiries .....	21–22
Fraud, Laws, and Regulations.....	23–24
Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement.....	25
Incorrect, Incomplete, or Otherwise Unsatisfactory Information.....	26–27
Using the Work of a Practitioner’s Specialist or Internal Auditors .....	28
Evaluating the Results of Procedures .....	29–31
Considering Subsequent Events and Subsequently Discovered Facts.....	32–33
Written Representations.....	34–37
Requested Written Representations Not Provided or Not Reliable .....	38
Other Information .....	39
Description of Criteria .....	40
Forming the Conclusion.....	41–42
Preparing the Practitioner’s Report.....	43–45
Content of the Practitioner’s Report .....	46–49
Reference to the Practitioner’s Specialist .....	50
Modified Conclusions.....	51–59
Communication Responsibilities .....	60
Documentation.....	61–62
<b>Application and Other Explanatory Material</b>	
Conduct of a Limited Assurance Engagement.....	A1
Agreeing on the Terms of the Engagement .....	A2–A10
Planning and Performing the Engagement .....	A11–A16
Materiality in Planning and Performing the Engagement.....	A17–A23
Procedures to Be Performed .....	A24–A31
Analytical Procedures .....	A32–A34
Fraud, Laws, and Regulations.....	A35–A36

Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement.....A37

Evaluating the Results of Procedures .....A38–A42

Considering Subsequent Events and Subsequently Discovered Facts.....A43–A47

Written Representations.....A48–A54

Requested Written Representations Not Provided or Not Reliable .....A55–A57

Other Information .....A58–A59

Description of Criteria .....A60–A61

Forming the Conclusion.....A62–A65

Preparing the Practitioner’s Report.....A66–A71

Content of the Practitioner’s Report .....A72–A97

Reference to the Practitioner’s Specialist .....A98

Modified Conclusions .....A99–A105

Communication Responsibilities .....A106

Documentation.....A107–A110

**Exhibit—Illustrative Limited Assurance Reports .....A111**

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Introduction</b>	
.01 This section contains performance and reporting requirements and application guidance for limited assurance engagements. The requirements and guidance in this section supplement the requirements and guidance in AT-C section 105, <i>Concepts Common to All Attestation Engagements</i> .*	
<b>Effective Date</b>	
.02 This section is effective for practitioners' limited assurance reports dated on or after May 1, 2020.† Early implementation is not permitted.	
<b>Objectives</b>	
.03 In conducting a limited assurance engagement, the objectives of the practitioner are to do the following: <ul style="list-style-type: none"> <li>a. Obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria</li> <li>b. Express a conclusion in a written report in a form that conveys whether, based on the procedures performed and the evidence obtained, the practitioner is aware of any material modifications that should be made to <ul style="list-style-type: none"> <li>i. the subject matter in order for it to be in accordance with (or based on) the criteria or</li> <li>ii. the responsible party's assertion in order for it to be fairly stated</li> </ul> </li> <li>c. Communicate further as required by relevant AT-C sections</li> </ul>	

\* All AT-C sections can be found in AICPA *Professional Standards*.

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

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Definitions</b>	
<p><b>.04</b> For purposes of this section, the following terms have the meaning attributed as follows:</p> <p><b>Modified conclusion.</b> A qualified or an adverse conclusion.</p> <p><b>Appropriateness of limited assurance evidence.</b> The measure of the quality of limited assurance evidence, that is, its relevancy and reliability in providing support for the practitioner's conclusion.</p> <p><b>Limited assurance evidence.</b> Information used by the practitioner in obtaining limited assurance on which the practitioner's conclusion is based.</p> <p><b>Sufficiency of limited assurance evidence.</b> The measure of the quantity of limited assurance evidence. The quantity of the limited assurance evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.</p>	
<b>Requirements</b>	
<b>Conduct of a Limited Assurance Engagement</b>	<b>Conduct of a Limited Assurance Engagement (Ref: par. .05)</b>
<p><b>.05</b> In performing a limited assurance engagement, the practitioner should comply with this section, AT-C section 105, and any subject matter AT-C section that is relevant to the engagement. A subject matter AT-C section is relevant to the engagement when it is in effect and the circumstances addressed by the AT-C section exist. (Ref: par. .A1)</p>	<p><b>.A1</b> For example, if a practitioner was performing a limited assurance engagement on pro forma financial information, AT-C section 105, this section, and AT-C section 310, <i>Reporting on Pro Forma Financial Information</i>, would be relevant.</p>
<p><b>.06</b> The practitioner should consider whether the nature of the procedures to be performed would enable the practitioner to obtain sufficient appropriate limited assurance evidence to obtain limited assurance.</p>	

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.07</b> A practitioner should not perform a limited assurance engagement of</p> <ul style="list-style-type: none"> <li>a. prospective financial information,</li> <li>b. internal control, or</li> <li>c. compliance with requirements of specified laws, regulations, rules, contracts, or grants.</li> </ul>	
<p><b>Agreeing on the Terms of the Engagement</b></p>	<p><b>Agreeing on the Terms of the Engagement (Ref: par. .08–.09 and .46)</b></p>
<p><b>.08</b> The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A2)</p>	<p><b>.A2</b> It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.</p>
<p><b>.09</b> The agreed-upon terms of the engagement should include the following:</p> <ul style="list-style-type: none"> <li>a. The objective and scope of the engagement</li> <li>b. The responsibilities of the practitioner (Ref: par. .A3)</li> <li>c. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants</li> </ul>	<p><b>.A3</b> A practitioner may further describe the responsibilities of the practitioner by adding the following items to the engagement letter or other suitable form of written agreement:</p> <ul style="list-style-type: none"> <li>a. A statement that the engagement is designed to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria</li> <li>b. A statement that the objective of a limited assurance engagement is the expression of a conclusion in a written practitioner's report about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the responsible party's assertion in order for it to be fairly stated</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>d. The responsibilities of the appropriate party, including (Ref: par. .A4–.A5)</p> <p style="padding-left: 20px;">i. that the responsible party is responsible for the subject matter in accordance with (or based on) the criteria and (Ref: par. .A5–.A7)</p> <p style="padding-left: 40px;">ii. that the appropriate party is responsible for (Ref: par. .A8)</p> <p style="padding-left: 60px;">(1) identifying the criteria for the measurement, evaluation, or disclosure of the subject matter and</p> <p style="padding-left: 60px;">(2) determining that such criteria are suitable and will be available to the intended users</p> <p>e. A statement that the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, an examination and, consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that</p>	<p><b>.A4</b> As indicated in AT-C section 105, the term <i>appropriate party</i> refers to the responsible party, the engaging party, or both, as appropriate.<sup>1</sup> The term is used to accommodate situations in which the responsible party is not the engaging party. For example, when the responsible party is not the engaging party, the engaging party, rather than the responsible party, may be responsible for identifying the criteria.</p> <p><b>.A5</b> A practitioner may also be engaged to assist the responsible party in measuring or evaluating the subject matter against the criteria.</p> <p><b>.A6</b> Regardless of the procedures performed by the practitioner when assisting the responsible party in measuring or evaluating the subject matter, the responsible party is required to accept responsibility for the subject matter in accordance with (or based on) the criteria.</p> <p><b>.A7</b> If the practitioner is reporting on the responsible party’s assertion, the responsible party may not base its assertion solely on the practitioner’s procedures.</p> <p><b>.A8</b> The engaging party may request that the practitioner recommend, develop, or assist in developing the criteria for the engagement. The engaging party is deemed to have identified the criteria if the engaging party agrees to the criteria that the practitioner recommended or assisted in developing.</p> <p><b>.A9</b> If relevant, a statement about the inherent limitations of a limited assurance engagement may indicate that “because of the inherent limitations of a limited assurance engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the</p>

<sup>1</sup> Paragraph .11 of AT-C section 105, *Concepts Common to All Attestation Engagements*.

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>would have been obtained had an examination been performed (Ref: par. .A9)</p> <p><i>f.</i> Identification of the criteria for the measurement, evaluation, or disclosure of the subject matter (Ref: par. .A10)</p> <p><i>h.</i> An acknowledgment that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement</p>	<p>limited assurance engagement is properly planned and performed in accordance with the attestation standards.”</p> <p><b>.A10</b> If relevant, the practitioner may include in the engagement letter the responsible party’s acknowledgment that it intends to measure or evaluate the subject matter against the criteria and provide the practitioner with a written assertion. A written assertion may be needed, for example</p> <ul style="list-style-type: none"> <li>• to comply with the terms of the engagement, for example, an engagement in which management has engaged the practitioner to report on management’s assertion;</li> <li>• to comply with the requirements of a law, regulation, or contract; or</li> <li>• to comply with the requirements of an AT-C section.</li> </ul> <p>For engagements in which an assertion is obtained (for example, the assertion is required by law, regulation, or contract, or where the practitioner is reporting on management’s assertion) or otherwise deemed necessary, the practitioner may include in the engagement letter the responsible party’s acknowledgment that it will provide the practitioner with a written assertion.</p>
<p><b>.10</b> Although an engagement may recur, each engagement is considered a separate engagement. The practitioner should assess whether circumstances require revision to the terms of a preceding engagement. If the practitioner concludes that the terms of the preceding engagement need not be revised for the current engagement, the practitioner should remind the engaging party of the terms of the current engagement, and the reminder should be documented.</p>	

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Planning and Performing the Engagement</b></p> <p><b>.11</b> The practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and determine the nature, timing, and extent of the planned procedures that are required to be carried out to achieve the objectives of the engagement. The nature, timing, and extent of the practitioner’s procedures may be affected by the extent to which the responsible party has measured or evaluated the subject matter against the criteria. The practitioner should exercise professional judgment in selecting and applying procedures to accumulate sufficient appropriate evidence that provides a reasonable basis for the practitioner’s conclusion. (Ref: par. .A11–.A14)</p>	<p><b>Planning and Performing the Engagement (Ref: par. .11–.12)</b></p> <p><b>.A11</b> Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner's specialists. Adequate planning helps the practitioner devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner in properly assigning work to engagement team members and facilitates the direction, supervision, and review of their work. Further, it assists, when applicable, the coordination of work performed by other practitioners and practitioner's specialists. The nature and extent of planning activities will vary with the engagement circumstances, for example, the complexity of the assessment or evaluation of the subject matter and the practitioner's previous experience with it. Examples of relevant matters that may be considered include the following:</p> <ul style="list-style-type: none"> <li>• The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the underlying subject matter, and the criteria</li> <li>• The expected timing and nature of the communications required</li> <li>• The results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the appropriate party is relevant</li> <li>• The engagement process, including possible sources of limited assurance evidence, and choices among alternative measurement or evaluation methods</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• The practitioner's understanding of the appropriate party and its environment, including the risks that the subject matter may be materially misstated</li>   <li>• Identification of intended users and their information needs and consideration of materiality and the components of attestation risk</li>   <li>• The risk of fraud relevant to the engagement</li>   <li>• The effect on the engagement of using the internal audit function</li> </ul> <p><b>.A12</b> The practitioner may decide to discuss elements of planning with the appropriate party to facilitate the conduct and management of the engagement (for example, to coordinate some of the planned procedures with the work of the responsible party's personnel). Although these discussions often occur, the elements of planning remain the practitioner's responsibility. When discussing planning matters, care is needed to avoid compromising the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the responsible party may compromise the effectiveness of the engagement by making the procedures too predictable.</p> <p><b>.A13</b> Planning is not a discrete phase but, rather, a cumulative and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or limited assurance evidence obtained, the practitioner may need to revise the nature, timing, and extent of planned procedures.</p> <p><b>.A14</b> In smaller or less complex engagements, the entire engagement may be conducted by a very small engagement team, possibly involving the engagement partner (who may be a sole practitioner) working without any other engagement team members. With a smaller team, coordination of, and communication among, team members is easier. In</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.12</b> The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to do the following: (Ref: par. .A15)</p>	<p>such cases, planning the engagement need not be a complex or time-consuming exercise; it varies according to the size of the entity, the complexity of the engagement, and the size of the engagement team.</p> <p><b>.A15</b> Obtaining an understanding of the subject matter and other engagement circumstances provides the practitioner with a frame of reference for exercising professional judgment throughout the engagement, for example, when doing the following:</p> <ul style="list-style-type: none"> <li>• Considering the characteristics of the subject matter</li> <li>• Assessing the suitability of the criteria</li> <li>• Considering the factors that, in the practitioner's professional judgment, are significant in directing the engagement team's efforts, including situations in which special consideration may be necessary (for example, when there is a need for specialized skills or the work of a specialist)</li> <li>• Establishing and evaluating the continued appropriateness of quantitative materiality levels (when appropriate) and considering qualitative materiality factors</li> <li>• Developing expectations when performing analytical procedures</li> <li>• Designing and performing procedures</li> <li>• Evaluating limited assurance evidence, including the reasonableness of the written representations received by the practitioner</li> </ul> <p>In some limited assurance engagements, the practitioner may obtain an understanding of internal control over the measurement, evaluation, or disclosure of the subject matter.</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>a.</i> Enable the practitioner to identify areas in which a material misstatement of the subject matter is likely to arise (Ref: par. .A16)</p> <p><i>b.</i> Provide a basis for designing and performing procedures to address the areas identified in item (<i>a</i>) and to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria, or the assertion, in order for it to be fairly stated</p>	<p><b>.A16</b> Identifying the areas in which a material misstatement of the subject matter is likely to arise enables the practitioner to focus procedures on those areas. For example, the practitioner may focus procedures on areas that are subjective in nature.</p>
<p><b>.13</b> The practitioner should make inquiries of the appropriate party regarding</p> <p><i>a.</i> whether the responsible party has an internal audit function. If the responsible party has an internal audit function, the practitioner should make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter.</p> <p><i>b.</i> whether the responsible party has used any specialists in the preparation of the subject matter.</p>	
<p><b>Materiality in Planning and Performing the Engagement</b></p>	<p><b>Materiality in Planning and Performing the Engagement (Ref: par. .14)</b></p>
<p><b>.14</b> The practitioner should consider materiality when establishing the overall engagement strategy, determining the nature, timing, and extent of procedures, and evaluating whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated. (Ref: par. .A17–.A23)</p>	<p><b>.A17</b> Materiality is considered in the context of qualitative factors and, when applicable, quantitative factors. The relative importance of qualitative factors and quantitative factors when considering materiality in a particular engagement is a matter for the practitioner's professional judgment.</p> <p><b>.A18</b> Professional judgments about materiality are made in light of surrounding circumstances, but they are not affected by the level of</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>assurance; that is, for the same intended users, materiality for a limited assurance engagement is the same as it is for an examination engagement because materiality is based on the information needs of intended users and not the level of assurance.</p> <p><b>.A19</b> In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of intended users that are made based on the subject matter. The practitioner's consideration of materiality is a matter of professional judgment and is affected by the practitioner's perception of the common information needs of intended users as a group. In this context, it is reasonable for the practitioner to assume that intended users</p> <ul style="list-style-type: none"> <li>a. have a reasonable knowledge of the subject matter and a willingness to study the subject matter with reasonable diligence.</li> <li>b. understand that the subject matter is measured or evaluated and subjected to procedures using appropriate levels of materiality and that they have an understanding of any materiality concepts included in the criteria.</li> <li>c. understand any inherent uncertainties involved in measuring or evaluating the subject matter.</li> <li>d. make reasonable decisions on the basis of the subject matter taken as a whole.</li> </ul> <p>Unless the engagement has been designed to meet the particular information needs of specific users, the possible effect of misstatements on specific users, whose information needs may vary widely, is not ordinarily considered.</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A20</b> Qualitative factors may include the following:</p> <ul style="list-style-type: none"> <li>• The interaction between, and relative importance of, various aspects of the subject matter, such as numerous performance indicators</li> <li>• The wording chosen with respect to subject matter that is expressed in narrative form; for example, the wording chosen does not omit or distort the information</li> <li>• The characteristics of the presentation adopted for the subject matter when the criteria allow for variations in that presentation</li> <li>• The nature of a misstatement</li> <li>• Whether a misstatement affects compliance with laws or regulations</li> <li>• In the case of periodic reporting on a subject matter, whether the effect of an adjustment that affects past or current information about the subject matter is likely to affect future information about the subject matter</li> <li>• Whether a misstatement is the result of an intentional act or is unintentional</li> <li>• Whether a misstatement is significant with regard to the practitioner's understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the subject matter</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• Whether a misstatement relates to the relationship between the responsible party and, if different, the engaging party or its relationship with other parties</li> </ul> <p><b>.A21</b> Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter, if any, that are</p> <ul style="list-style-type: none"> <li>• expressed numerically or</li> <li>• otherwise related to numerical values.</li> </ul> <p><b>.A22</b> When quantitative factors are applicable, planning the engagement solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the subject matter to be materially misstated. Applying materiality to elements of the subject matter ordinarily is not a simple mechanical calculation but involves the exercise of professional judgment. It is affected by the practitioner’s understanding of the subject matter and the responsible party and consideration of the nature and extent of misstatements identified in previous attestation engagements.</p> <p><b>.A23</b> The criteria may discuss the concept of materiality in the context of the preparation and presentation of the subject matter and thereby provide a frame of reference for the practitioner in considering materiality for the engagement. Although criteria may discuss materiality in different terms, the concept of materiality generally includes the matters discussed in paragraphs .A17–.A22. If the criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference.</p>
<b>.15</b> The practitioner should reconsider materiality for the subject matter if the practitioner becomes aware of information during the	

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
engagement that would have caused the practitioner to have initially determined a different materiality.	
<b>Procedures to Be Performed</b>	<b>Procedures to Be Performed (Ref: par. .17–.18)</b>
<p><b>.16</b> To obtain limited assurance, the practitioner should obtain sufficient appropriate limited assurance evidence to reduce attestation risk to a level that is acceptable in the circumstances of the engagement as a basis for expressing a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria, or the assertion, in order for it to be fairly stated.</p>	
<p><b>.17</b> Based on the practitioner’s understanding obtained pursuant to paragraph .12, the practitioner should do the following:</p> <ul style="list-style-type: none"> <li>a. Identify areas in which a material misstatement of the subject matter is likely to arise and design and perform procedures to address such areas to obtain limited assurance to support the conclusion in the practitioner’s report. (Ref: par. .A24–.A29)</li> <li>b. If no such areas are identified, design and perform procedures to obtain limited assurance to support the conclusion in the practitioner’s report.</li> </ul>	<p><b>.A24</b> In a limited assurance engagement, procedures generally are limited to inquiries and analytical procedures. However, analytical procedures may not be possible when the subject matter is qualitative, rather than quantitative. In circumstances in which inquiry and analytical procedures are not expected to provide sufficient appropriate limited assurance evidence, or when the nature of the subject matter does not lend itself to the application of analytical procedures, the practitioner may perform other procedures that he or she believes can provide the practitioner with a level of assurance equivalent to that which inquiries and analytical procedures would have provided. If the practitioner cannot design other procedures to obtain sufficient appropriate limited assurance evidence, a limited assurance engagement may not be appropriate.</p> <p><b>.A25</b> Limited assurance evidence obtained through the performance of analytical procedures and inquiry may provide the practitioner with a reasonable basis for obtaining limited assurance. However, the practitioner may determine that it is appropriate to perform additional or</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>other procedures if the practitioner determines such procedures to be necessary to meet the objectives of this section.</p> <p><b>.A26</b> The nature of the subject matter may not lend itself to the application of analytical procedures. In such instances, the practitioner may perform other procedures that the practitioner believes can provide a level of assurance equivalent to that which analytical procedures would have provided.</p> <p><b>.A27</b> The practitioner’s work in forming a conclusion consists of obtaining and evaluating evidence. Procedures to obtain evidence may, but are not required to, include the following, individually or in some combination, in addition to inquiry:</p> <ul style="list-style-type: none"> <li>• Inspection</li> <li>• Observation</li> <li>• Confirmation</li> <li>• Recalculation</li> <li>• Reperformance</li> <li>• Analytical procedures</li> </ul> <p><b>.A28</b> Information may come to the practitioner's attention that differs significantly from that on which the determination of planned procedures was based. As the practitioner performs planned procedures, the limited assurance evidence obtained may cause the practitioner to perform additional procedures. Such procedures may include asking the responsible party to examine the matter identified by the practitioner and to make adjustments to the subject matter, if appropriate.</p> <p><b>.A29</b> In some cases, a subject matter AT-C section may include requirements that affect the nature, timing, and extent of procedures. For example, a subject matter AT-C section may describe the nature or</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	extent of particular procedures to be performed in a particular type of engagement. Even in such cases, determining the exact nature, timing, and extent of procedures is a matter of professional judgment and will vary from one engagement to the next.
<b>.18</b> The practitioner should place increased focus on those areas in which the practitioner believes there are increased risks that the subject matter may be materially misstated. (Ref: par. .A30–.A31)	<p><b>.A30</b> The results of the practitioner's procedures may modify the practitioner's risk awareness.</p> <p><b>.A31</b> The practitioner may become aware of a matter that causes the practitioner to believe that the subject matter may be materially misstated. For example, when performing analytical procedures, the practitioner may identify a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expected amounts or ratios. In such cases, the practitioner's investigation of such differences may include inquiring of the appropriate party or performing other procedures as appropriate in the circumstances.</p>
<b>Analytical Procedures</b>	<b>Analytical Procedures (Ref: par. .19–.20)</b>
<p><b>.19</b> When designing and performing analytical procedures, the practitioner should do the following: (Ref: par. .A32–.A33)</p> <ul style="list-style-type: none"> <li>a. Determine the suitability of particular analytical procedures for the subject matter, taking into account the practitioner's awareness of risks</li> <li>b. Evaluate the reliability of data from which the practitioner's expectation is developed, taking into account the source, comparability, nature, and relevance of information available</li> <li>c. Develop an expectation with respect to recorded amounts or ratios</li> </ul>	<p><b>.A32</b> An understanding of the purposes of analytical procedures and the limitations of those procedures is important. Accordingly, the identification of the relationships and types of data used, as well as conclusions reached when recorded amounts are compared to expectations, requires professional judgment by the practitioner.</p> <p><b>.A33</b> Analytical procedures involve comparisons of expectations developed by the practitioner to recorded amounts or ratios developed from recorded amounts. The practitioner develops such expectations by identifying and using plausible relationships that are reasonably expected to exist based on the practitioner's understanding of the subject matter; the practices used by the responsible party to measure, recognize, and record the subject matter; and, if applicable, the industry in which the entity operates.</p>
<b>.20</b> If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ	<b>.A34</b> Analytical procedures in a limited assurance engagement are not designed to identify misstatements with the level of precision expected in an examination engagement. Further, when significant fluctuations,

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>significantly from expected amounts or ratios, the practitioner should (Ref: par. .A34)</p> <ul style="list-style-type: none"> <li>a. inquire of the responsible party about such differences and</li> <li>b. consider the responses to these inquiries to determine whether other procedures are necessary in the circumstances.</li> </ul>	<p>relationships, or differences are identified, appropriate limited assurance evidence in a limited assurance engagement may often be obtained by making inquiries of the responsible party and considering responses received in the light of known engagement circumstances without obtaining additional evidence required in the case of an examination engagement.</p>
<b>Inquiries</b>	
<p><b>.21</b> The practitioner should inquire of the appropriate party about the following:</p> <ul style="list-style-type: none"> <li>a. The extent to which the subject matter has been measured or evaluated by a party other than the practitioner and the results of such measurement or evaluation</li> <li>b. The practices used to measure, recognize, and record the subject matter</li> <li>c. Questions that have arisen in the course of applying the procedures</li> <li>d. Communications from regulatory agencies or others, if relevant</li> </ul>	
<p><b>.22</b> The practitioner should consider the reasonableness and consistency of the responsible party's responses in light of the results of other procedures and the practitioner's knowledge of the subject matter, criteria, and responsible party.</p>	
<b>Fraud, Laws, and Regulations</b>	
<p><b>.23</b> The practitioner should make inquiries of appropriate parties to determine whether they have knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter.</p>	<b>Fraud, Laws, and Regulations (Ref: par. .24)</b>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.24</b> The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws or regulations affecting the subject matter that is identified during the engagement. (Ref: par. .A35–.A36)</p>	<p><b>.A35</b> In responding to fraud or suspected fraud identified during the engagement, it may be appropriate, unless prohibited by law, regulation, or ethics standards, for the practitioner to, for example do the following:</p> <ul style="list-style-type: none"> <li>• Discuss the matter with the appropriate party.</li> <li>• Request that the responsible party consult with an appropriately qualified third party, such as the entity's legal counsel or a regulator.</li> <li>• Consider the implications of the matter in relation to other aspects of the engagement, including the practitioner's planning and the reliability of written representations from the responsible party.</li> <li>• Obtain legal advice about the consequences of different courses of action.</li> <li>• Communicate with third parties (for example, a regulator).</li> <li>• Withdraw from the engagement.</li> </ul> <p><b>.A36</b> The actions noted in paragraph .A35 may also be appropriate in responding to noncompliance or suspected noncompliance with laws or regulations identified during the engagement. It may also be appropriate to describe the matter in a separate paragraph of the practitioner's report, unless either of the following apply:</p> <ol style="list-style-type: none"> <li>a. The practitioner is precluded by the responsible party from obtaining sufficient appropriate limited assurance evidence to evaluate whether noncompliance that may be material to the subject matter has, or is likely to have, occurred, in which case, paragraph .59 applies.</li> </ol>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><i>b.</i> The practitioner concludes that the noncompliance results in a material misstatement of the subject matter, in which case, paragraphs .52–.58 apply.</p>
<b>Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement</b>	<b>Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement (Ref: par. .25)</b>
<p><b>.25</b> The practitioner should evaluate whether sufficient appropriate evidence has been obtained from the procedures performed and, if not, the practitioner should perform additional procedures judged by the practitioner to be necessary in the circumstances to be able to form a conclusion on the subject matter. If the practitioner is unable to obtain sufficient appropriate evidence, paragraph .59 provides requirements in the circumstances. (Ref: par. .A37)</p>	<p><b>.A37</b> In some circumstances, the practitioner may not have obtained the evidence that the practitioner had expected to obtain through the design and performance of procedures. In these circumstances, the practitioner may</p> <ul style="list-style-type: none"> <li>• extend the work performed or</li> <li>• perform other procedures judged by the practitioner to be necessary in the circumstances.</li> </ul> <p>When neither of these is practicable in the circumstances, the practitioner will not be able to obtain sufficient appropriate evidence to be able to form a conclusion.</p>
<b>Incorrect, Incomplete, or Otherwise Unsatisfactory Information</b>	
<p><b>.26</b> During the performance of procedures, if the practitioner becomes aware that information coming to the practitioner's attention is incorrect, incomplete, or otherwise unsatisfactory, the practitioner should request that the responsible party consider the effect of these matters on the subject matter and communicate the results of its consideration to the practitioner. The practitioner should consider the results communicated to the practitioner by the responsible party and the potential effect, if any, on the practitioner's report.</p>	
<p><b>.27</b> If the practitioner believes the subject matter may be materially misstated, the practitioner should perform additional procedures sufficient to obtain limited assurance about whether any material</p>	

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated.	
<b>Using the Work of a Practitioner’s Specialist or Internal Auditors</b>	
.28 When the practitioner expects to use the work of a practitioner's specialist or internal auditors, the practitioner should apply the requirements in AT-C section 205, <i>Examination Engagements</i> , and the related application guidance, as appropriate, for a limited assurance engagement. <sup>2</sup>	
<b>Evaluating the Results of Procedures</b>	<b>Evaluating the Results of Procedures (Ref: par. .29–.30)</b>
.29 The practitioner should accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: par. .A38–.A39)	.A38 Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in the aggregate, they are material when forming the practitioner's conclusion.  .A39 "Clearly trivial" is not another expression for "not material." Matters that are clearly trivial will be of a wholly different (smaller) order of magnitude than materiality and will be matters that are clearly inconsequential, whether taken individually or in the aggregate and whether judged by any criteria of size, nature, or circumstances. When there is any uncertainty about whether items are clearly trivial, the matter is considered not to be clearly trivial.
.30 The practitioner should evaluate the sufficiency and appropriateness of the limited assurance evidence obtained in the context of the engagement and, if necessary, attempt to obtain further limited assurance evidence. The practitioner should consider all relevant limited assurance evidence, regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A40–.A42)	.A40 Sufficient appropriate limited assurance evidence is necessary to support the practitioner's conclusion and report.  .A41 The sufficiency and appropriateness of limited assurance evidence are interrelated. Sufficiency of limited assurance evidence is the measure of the quantity of limited assurance evidence. The quantity of the limited assurance evidence needed is affected by the risks of material misstatement and also by the quality of such limited assurance evidence.

<sup>2</sup> Paragraphs .36–.44 of AT-C section 205, *Examination Engagements*.

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	.A42 Whether sufficient appropriate limited assurance evidence has been obtained on which to base the practitioner's conclusion is a matter of professional judgment.
.31 If the practitioner concludes that the subject matter is materially misstated, the practitioner should consider the implications for the practitioner's conclusion in paragraphs .51–.59.	
<b>Considering Subsequent Events and Subsequently Discovered Facts</b>	<b>Considering Subsequent Events and Subsequently Discovered Facts (Ref: par. .32–.33)</b>
.32 The practitioner should inquire whether the responsible party, and if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the engagement up to the date of the practitioner's report that could have a significant effect on the subject matter or assertion. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter or in its assertion, the practitioner should take appropriate action. (Ref: par. .A43–.A45)	.A43 For certain subject matter AT-C sections, specific subsequent events requirements and related application guidance have been developed for engagement performance and reporting.  .A44 Procedures that a practitioner may perform to identify subsequent events include inquiring about and considering information <ul style="list-style-type: none"> <li>• contained in relevant reports issued during the subsequent period by internal auditors, other practitioners, or regulatory agencies.</li> <li>• obtained through other professional engagements for that entity.</li> </ul> .A45 If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent users of the practitioner's report from being misled, appropriate actions the practitioner may take include the following: <ul style="list-style-type: none"> <li>• Disclosing the event in the report and modifying the practitioner's conclusion</li> <li>• Withdrawing from the engagement</li> </ul>
.33 The practitioner has no responsibility to perform any procedures regarding the subject matter or assertion after the date of the practitioner's report. Nevertheless, the practitioner should	.A46 Subsequent to the date of the practitioner's report, the practitioner may become aware of facts that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. In such

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. .A46–.A47)</p>	<p>circumstances, the practitioner undertakes to determine if the facts existed at the date of the report and, if so, whether persons are currently using or likely to use the report and related subject matter or assertion who would attach importance to these facts. This may include discussing the matter with the appropriate party and requesting the appropriate party's cooperation in whatever investigation or further action may be necessary. The specific actions to be taken in a particular case by the appropriate party and the practitioner may vary with the circumstances. Consideration may be given to, among other things, the time elapsed since the date of the report and whether issuance of a subsequent report is imminent. The practitioner may need to perform additional procedures deemed necessary to determine whether the subject matter or assertion needs revision and whether the previously issued report continues to be appropriate.</p> <p><b>.A47</b> Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party to persons who would attach importance to these facts and who are currently using, or are likely to use, the practitioner's report is necessary. This may be the case, for example, when</p> <ul style="list-style-type: none"> <li><i>a.</i> the report is not to be relied upon because the subject matter or assertion needs revision or the practitioner is unable to determine whether revision is necessary, and</li> <li><i>b.</i> issuance of a subsequent report is not imminent.</li> </ul> <p>If the appropriate party failed to take the necessary steps to prevent reliance on the report, the practitioner's course of action depends on the practitioner's legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	matter and of its effect on the subject matter or assertion and the report, avoiding comments concerning the conduct or motives of any person.
<b>Written Representations</b>	<b>Written Representations (Ref: par. .34)</b>
<p><b>.34</b> The practitioner should request from the appropriate party written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. .A48–.A52)</p> <ul style="list-style-type: none"> <li>a. Acknowledge the responsibilities of the appropriate party, including that               <ul style="list-style-type: none"> <li>i. the responsible party is responsible for the subject matter in accordance with (or based on) the criteria and</li> <li>ii. the appropriate party is responsible for                   <ul style="list-style-type: none"> <li>(1) identifying the criteria for the measurement, evaluation, or disclosure of the subject matter and</li> <li>(2) determining that such criteria are suitable and will be available to the intended users.</li> </ul> </li> </ul> </li> <li>b. State that the appropriate party has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement.</li> <li>c. State that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed by the subject matter and the date of the practitioner's report.</li> </ul>	<p><b>.A48</b> The term <i>appropriate party</i> is used in paragraph .34 to accommodate situations in which the engaging party is not the responsible party. In such situations, a particular representation may be applicable to only the responsible party, only the engaging party, or to both parties, as appropriate.</p> <p><b>.A49</b> Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the appropriate 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.</p> <p><b>.A50</b> Representations by the responsible party cannot replace other limited assurance evidence the practitioner could reasonably expect to be available. Although written representations provide limited assurance evidence, they do not provide sufficient appropriate limited assurance 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 limited assurance evidence that the practitioner obtains.</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>d.</i> State that the appropriate party has disclosed to the practitioner</p> <ul style="list-style-type: none"> <li><i>i.</i> its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter and</li> <li><i>ii.</i> other matters as the practitioner deems appropriate.</li> </ul> <p><i>e.</i> State that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion have been disclosed to the practitioner. (Ref: par. .A51)</p> <p><i>f.</i> State whether a party other than the practitioner has measured or evaluated the subject matter against the criteria, and, if another party has measured or evaluated the subject matter, the results of that measurement or evaluation. (Ref: par. .A52)</p> <p><i>g.</i> If applicable, state that the responsible party believes the effects of uncorrected misstatements are immaterial, individually and in the aggregate, to the subject matter. (Ref: par. .A51 and .A53)</p> <p><i>h.</i> If applicable, state that significant assumptions used in making any material estimates are reasonable.</p>	<p><b>.A51</b> A discussion of what is considered a material effect on the subject matter or assertion may be included explicitly in the representation letter in qualitative or quantitative terms.</p> <p><b>.A52</b> The results of the appropriate party’s measurement or evaluation of the subject matter against the criteria may be provided to the practitioner in a separate written assertion or as a representation in the representation letter.</p> <p><b>.A53</b> A summary of uncorrected misstatements ordinarily is included in or attached to the written representation.</p>
<p><b>.35</b> When the engaging party is not the responsible party, the practitioner should request written representations from both the responsible party and the engaging party, as applicable. (Ref: par. .A54)</p>	<p><b>.A54</b> When the engaging party is not the responsible party, examples of written representations the practitioner may request from the engaging party are representations that do the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> Acknowledge that the responsible party is responsible for the subject matter and, if applicable, the assertion.</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li><i>b.</i> Acknowledge the engaging party’s responsibility for selecting the criteria, when applicable.</li> <li><i>c.</i> Acknowledge the engaging party’s responsibility for determining that such criteria are appropriate for its purposes.</li> <li><i>d.</i> State that the engaging party is not aware of any material misstatements in the subject matter or assertion.</li> <li><i>e.</i> State that the engaging party has disclosed to the practitioner all known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion.</li> <li><i>f.</i> Address other matters as the practitioner deems appropriate.</li> </ul>
<p><b>.36</b> When written representations are directly related to matters that are material to the subject matter, the practitioner should</p> <ul style="list-style-type: none"> <li><i>a.</i> evaluate their reasonableness and consistency with other limited assurance evidence obtained, including other representations, and</li> <li><i>b.</i> consider whether those making the representations can be expected to be well informed on the particular matters.</li> </ul>	
<p><b>.37</b> The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's conclusion.</p>	
<p><b>Requested Written Representations Not Provided or Unreliable</b></p>	<p><b>Requested Written Representations Not Provided or Unreliable (Ref: par. .38 and .59)</b></p>
<p><b>.38</b> When one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence</p>	<p><b>.A55</b> The engaging party’s refusal to furnish written representations constitutes a limitation on the scope of the limited assurance engagement. Such refusal may cause the practitioner to withdraw, when</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the practitioner should do the following: (Ref: par. .A55–.A57)</p> <p><i>a.</i> Discuss the matter with the appropriate party.</p> <p><i>b.</i> Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and limited assurance evidence in general.</p> <p><i>c.</i> If any of the matters are not resolved to the practitioner's satisfaction, take appropriate action, including determining the possible effect on the conclusion in the practitioner's report.</p>	<p>withdrawal is possible under applicable laws and regulations, in accordance with paragraph .59.</p> <p><b>.A56</b> Circumstances in which the practitioner may be unable to obtain one or more requested written representations from a responsible party that is not the engaging party include, for example, the following:</p> <ul style="list-style-type: none"> <li>• When the engaging party does not have a relationship with the responsible party</li> <li>• When the limited assurance engagement is undertaken against the wishes of the responsible party, for example when required by law or regulation</li> </ul> <p>In these or other circumstances, the practitioner may need to reconsider whether the responsible party is able or willing to take responsibility for the subject matter. Additionally, the practitioner may not have access to the evidence needed to support the conclusion in the practitioner's report. If this is the case, paragraph .59 of this section applies.</p> <p><b>.A57</b> The practitioner may determine, after performing the procedures in items (a)–(b) of paragraph .38, that an oral representation may provide a portion of the evidence needed with respect to the matter addressed by the representation, for example when the engaging party is not the responsible party.</p>
<b>Other Information</b>	<b>Other Information (Ref: par. .39)</b>
<p><b>.39</b> If prior to or after the release of the practitioner's report on subject matter or an assertion, the practitioner is willing to permit the inclusion of the report in a document that contains the subject matter or assertion and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter, assertion, or practitioner's report. If upon reading the other information, in the practitioner's</p>	<p><b>.A58</b> Further actions that may be appropriate if the practitioner identifies a material inconsistency or becomes aware of a material misstatement of fact include, for example, the following:</p> <ul style="list-style-type: none"> <li>• Requesting the appropriate party to consult with a qualified third party, such as the appropriate party's legal counsel</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>professional judgment, either of the following applies, the practitioner should discuss the matter with the appropriate party and take further action as appropriate: (Ref: par. .A58–.A59)</p> <p style="margin-left: 40px;"><i>a.</i> A material inconsistency between that other information and the subject matter, assertion, or report exists.</p> <p style="margin-left: 40px;"><i>b.</i> A material misstatement of fact exists in the other information, the subject matter, assertion, or practitioner's report.</p>	<ul style="list-style-type: none"> <li>• Obtaining legal advice about the consequences of different courses of action</li> <li>• If required or permissible, communicating with third parties (for example, a regulator)</li> <li>• Describing the material inconsistency in the practitioner's report</li> <li>• Withdrawing from the engagement, when withdrawal is possible under applicable law or regulation</li> </ul> <p><b>.A59</b> Other information does not include information contained on the appropriate party's website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph .39.</p>
<b>Description of Criteria</b>	<b>Description of Criteria (Ref: par. .40)</b>
<p><b>.40</b> The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A60–.A61)</p>	<p><b>.A60</b> The description of the criteria on which the subject matter or assertion is based is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter.</p> <p><b>.A61</b> A description of the criteria that states that the subject matter is prepared in accordance with (or based on) particular criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective.</p>
<b>Forming the Conclusion</b>	<b>Forming the Conclusion (Ref: par. .41–.42)</b>
<p><b>.41</b> The practitioner should form a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated. In forming that conclusion, the practitioner should evaluate</p>	<p><b>.A62</b> The practitioner's professional judgment regarding what constitutes sufficient appropriate limited assurance evidence is influenced by such factors as the following:</p> <ul style="list-style-type: none"> <li>• The significance of a potential misstatement and the likelihood that it will have a material effect, individually or aggregated with other potential misstatements, on the subject matter or assertion</li> </ul>



<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.42</b> The practitioner should evaluate, based on the limited assurance evidence obtained, whether the presentation of the subject matter or assertion is misleading within the context of the engagement. (Ref: par. .A64–.A65)</p>	<ul style="list-style-type: none"> <li>• Procedures performed toward the end of the engagement may indicate a previously unrecognized risk of material misstatement. In such circumstances, the practitioner may need to reevaluate the planned procedures.</li> </ul> <p><b>.A64</b> In making the evaluation required by paragraph .42, the practitioner may consider whether additional disclosures are necessary to describe the subject matter, assertion, or criteria. Additional disclosures may, for example, include the following:</p> <ul style="list-style-type: none"> <li>• The measurement or evaluation methods used when the criteria allow for choice among methods</li> <li>• Significant interpretations made in applying the criteria in the engagement circumstances</li> <li>• Subsequent events, depending on their nature and significance</li> <li>• Whether there have been any changes in the measurement or evaluation methods used</li> </ul> <p><b>.A65</b> Paragraph .42 does not require the practitioner to determine whether the presentation discloses all matters related to the subject matter, assertion, or criteria or all matters users may consider in making decisions based on the presentation.</p>
<b>Preparing the Practitioner’s Report</b>	<b>Preparing the Practitioner’s Report (Ref: par. .43–.44 and .57)</b>
<p><b>.43</b> The practitioner's report should be in writing. (Ref: par. .A66–.A68)</p>	<p><b>.A66</b> Oral and other forms of expressing a conclusion can be misunderstood without the support of a written practitioner's report. For this reason, the practitioner may not report orally or by use of symbols (such as a web seal) under the attestation standards without also providing a written report that is readily available whenever the oral report is provided or the symbol is used. For example, a symbol could be hyperlinked to a written report on the internet.</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>					
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>				
<p><b>.44</b> A practitioner should report on a written assertion or directly on the subject matter. As discussed in paragraph .56, if the report is modified for a material misstatement, the practitioner should report directly on the subject matter. Additionally, before the practitioner reports on management’s assertion, the practitioner should use professional judgment in determining whether management has a reasonable basis for making its assertion. (Ref: par. .A69–.A70)</p>	<p><b>.A67</b> This section does not require a standardized format for reporting on all limited assurance engagements. Instead, it identifies the basic elements that the practitioner's report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, the bolding of text), and other mechanisms to enhance the clarity and readability of the report.</p> <p><b>.A68</b> The practitioner may choose to issue a report that contains only the minimum reporting elements included in paragraphs .46–.47 of this section or may issue a report that expands on or supplements those elements. In addition to the basic elements, a report may include information and explanations that are not intended to affect the practitioner's conclusion, for example, detail about the terms of the engagement, the applicable criteria being used, findings relating to particular aspects of the engagement, details of the qualifications and experience of the practitioner and others involved in the engagement, a description of the procedures the practitioner performed, and, in some cases, recommendations. The practitioner may find it helpful to consider the importance of providing such information to the information needs of the intended users. As required by paragraph .57, additional information is clearly separated from the practitioner's conclusion and phrased in a manner that makes it clear that it is not intended to detract from that conclusion.</p> <p><b>.A69</b> All of the following reporting options are available to a practitioner, except when the circumstances described in paragraph .56 exist:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;"><i>The practitioner’s report may state that the practitioner performed limited assurance procedures on</i></td> <td style="padding: 5px; text-align: center;"><i>and</i></td> <td style="padding: 5px;"><i>concludes on</i></td> </tr> </table>		<i>The practitioner’s report may state that the practitioner performed limited assurance procedures on</i>	<i>and</i>	<i>concludes on</i>
<i>The practitioner’s report may state that the practitioner performed limited assurance procedures on</i>	<i>and</i>	<i>concludes on</i>			

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>			
<b>Introduction, Objectives, Definitions, and Requirements</b>		<b>Application and Other Explanatory Material</b>	
<p><b>.45</b> The practitioner should obtain a written assertion if the practitioner is reporting on the assertion. The assertion should be bound with or accompany the practitioner's report, or the assertion should be clearly stated in the report. (Ref: par. .A10 and .A70–.A71)</p>			
	the subject matter		the subject matter.
	the responsible party's assertion		the responsible party's assertion.
	the responsible party's assertion		the subject matter.
	<p><b>.A70</b> What constitutes a reasonable basis for the responsible party's assertion depends on the nature of the subject matter and other engagement circumstances. In some cases, a formal process with extensive internal control may be needed to provide the measurer or evaluator with a reasonable basis for making its assertion. The fact that the practitioner will report on the subject matter is not a substitute for the measurer or evaluator's own processes to have a reasonable basis for its assertion.</p> <p><b>.A71</b> The following are examples of assertions that have been tailored to reflect the nature of the subject matter and criteria for the engagement:</p> <ul style="list-style-type: none"> <li>• The subject matter is presented in accordance with (or based on) the criteria.</li> <li>• The subject matter is presented fairly, based on the criteria.</li> </ul>		
<b>Content of the Practitioner's Report</b>		<b>Content of the Practitioner's Report</b>	
<p><b>.46</b> The practitioner's report should include the following:</p> <p style="margin-left: 20px;"><i>a.</i> A title that includes the word <i>independent</i>. (Ref: par. .A72)</p> <p style="margin-left: 20px;"><i>b.</i> An appropriate addressee as required by the circumstances of the engagement.</p> <p style="margin-left: 20px;"><i>c.</i> An identification or description of the subject matter or assertion being reported on, including the point in time or</p>		<p><b><i>Title (Ref: par. .46a)</i></b></p> <p><b>.A72</b> 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 Limited Assurance Report") affirms that the practitioner has met all the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner's report from reports issued by others.</p>	

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>period of time to which the measurement or evaluation of the subject matter or assertion relates.</p> <p><i>d.</i> An identification of the criteria against which the subject matter was measured or evaluated (Ref: par. .A73)</p> <p><i>e.</i> A statement that identifies the responsible party and its responsibility for the subject matter in accordance with (or based on) the criteria or for its assertion. (Ref: par. .A74–.A76)</p> <p><i>f.</i> A statement that the practitioner's responsibility is to express a conclusion on the subject matter or assertion based on the practitioner's limited assurance engagement. (Ref: par. .A74)</p>	<p><b>Criteria (Ref: par. .46d)</b></p> <p><b>.A73</b> The practitioner's report may include the criteria or refer to them if they are included in the subject matter presentation, in the assertion, 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 .A65.</p> <p><b>Relative Responsibilities (Ref: par. .46e–g)</b></p> <p><b>.A74</b> Identifying relative responsibilities informs the intended users that the responsible party is responsible for the subject matter and that the practitioner's role is to independently express a conclusion about it.</p> <p><b>.A75</b> The practitioner may wish to expand the discussion of the responsible party's responsibility, for example, to indicate that the responsible party is responsible for the preparation and presentation of the subject matter in accordance with (or based on) the criteria, including the design, implementation, and maintenance of internal control to prevent, or detect and correct, misstatement of the subject matter, due to fraud or error.</p> <p><b>.A76</b> The practitioner's report may include a statement indicating that the responsible party</p> <ul style="list-style-type: none"> <li>• measured or evaluated the subject matter in accordance with (or based on) the criteria and provided the practitioner with the results of that measurement or evaluation in its written assertion, or</li> <li>• did not measure or evaluate the subject matter in accordance with (or based on) the criteria.</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>g. A statement that</p> <ul style="list-style-type: none"> <li>i. the practitioner's limited assurance engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. (Ref: par. .A77)</li> <li>ii. those standards require that the practitioner plan and perform the engagement to obtain limited assurance about whether any material modifications should be made to               <ul style="list-style-type: none"> <li>(1) the subject matter in order for it to be in accordance with (or based on) the criteria (or equivalent language regarding the subject matter and criteria, such as the language used in the examples in paragraph .A78) or,</li> <li>(2) if applicable, the responsible party's assertion in order for it to be fairly stated in all material respects.</li> </ul> </li> </ul> <p>h. A statement that the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or the responsible party's assertion is fairly stated, in all material respects, in order to express an opinion. As a consequence of the limited nature of the engagement, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed.</p>	<p><b>.A77</b> In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example “conducted in accordance with AT-C section 310, <i>Reporting on Pro Forma Financial Information</i>, of the attestation standards established by the American Institute of Certified Public Accountants.”</p> <p><b>Statement About the Subject Matter and Criteria (Ref: par. .46gii[1])</b></p> <p><b>.A78</b> The language in paragraph .46gii(1) may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph .46gii(1) include "to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to</p> <ul style="list-style-type: none"> <li>• be presented in accordance with (or based on) the criteria."</li> <li>• meet the objectives.” (For example, when the objectives are the criteria)</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>i.</i> A statement that the practitioner believes the limited assurance evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's conclusion.</p> <p><i>j.</i> A statement that the practitioner is independent and has fulfilled the practitioner's other ethical responsibilities in accordance with relevant ethical requirements relating to the limited assurance engagement. (Ref: par. .A79–.A80)</p> <p><i>k.</i> A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A81)</p>	<p><b><i>Relevant Ethical Requirements (Ref: par. .46j)</i></b></p> <p><b>.A79</b> 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).<sup>‡</sup></p> <p><b>.A80</b> 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 <i>Government Auditing Standards</i> promulgated by the Comptroller General of the United States) or may refer to a term that appropriately describes those sources.</p> <p><b><i>Inherent Limitations (Ref: par. .46k)</i></b></p> <p><b>.A81</b> In some cases, identification of specific inherent limitations may be required by an AT-C section. To communicate specific inherent limitations, the illustrative practitioner's report on a limited assurance engagement of pro forma financial information under AT-C section 310, for example, indicates that the objective of pro forma financial</p>

<sup>‡</sup> All ET sections can be found in AICPA *Professional Standards*.

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>l.</i> A description of the work performed as the basis for the practitioner’s conclusion. (Ref: par. .A82–.A84)</p>	<p>information is to show what the significant effects on the historical financial information might have been had the transaction (or event) occurred at an earlier date and that the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the specified transaction (or event) actually occurred earlier.<sup>3</sup> When not explicitly required by an AT-C section, identification in the report of inherent limitations is based on the practitioner's judgment.</p> <p><b><i>Description of the Work Performed (Ref: par. .A61)</i></b></p> <p><b>.A82</b> The summary of the work performed helps the intended users understand the basis for the practitioner’s conclusion. The summary may be as brief as “the procedures we performed were based on our professional judgment and consisted primarily of analytical procedures and inquiries” or may be more detailed. Factors to consider in determining the level of detail to be provided in the summary of the work performed may include the following:</p> <ul style="list-style-type: none"> <li>• Circumstances specific to the entity (for example, the differing nature of the entity’s activities compared to those typical in the industry)</li> <li>• Specific engagement circumstances affecting the nature and extent of the procedures performed</li> <li>• The intended users’ expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation</li> </ul> <p><b>.A83</b> It is important that the summary be written in an objective way that allows intended users to understand the work done as the basis for the</p>

<sup>3</sup> Paragraph .18k and examples 2 and 3 in paragraph .A24 of AT-C section 310, *Reporting on Pro Forma Financial Information*.

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>m.</i> The practitioner's conclusion about whether, based on the limited assurance engagement, the practitioner is aware of any material modifications that should be made to (Ref: par. .A85–.A87)</p> <p style="margin-left: 20px;"><i>i.</i> the subject matter in order for it be in accordance with (or based on) the criteria or</p> <p style="margin-left: 20px;"><i>ii.</i> the responsible party's assertion in order for it to be fairly stated.</p> <p><i>n.</i> The manual or printed signature of the practitioner's firm.</p>	<p>practitioner’s conclusion. In most cases, this will not involve detailing the entire work plan. On the other hand, it is important that the description of the work neither be so summarized as to be vague or ambiguous, nor written in a way that is overstated or embellished.</p> <p><b>.A84</b> The exhibit to this section includes examples of practitioner’s limited assurance reports including summaries of procedures performed.</p> <p><b><i>Conclusion (Ref: par. .A6m)</i></b></p> <p><b>.A85</b> The practitioner's conclusion can be worded either in terms of the subject matter and the criteria (for example, "Based on our limited assurance engagement, we are not aware of any material modifications that should be made to the XYZ schedule in order for it to be in accordance with [or based on] the ABC criteria.") or in terms of an assertion made by the responsible party (for example, "Based on our limited assurance engagement, we are not aware of any material modifications that should be made to management of XYZ Company's assertion in order for it to be fairly stated.").</p> <p><b>.A86</b> A single practitioner's report may cover more than one aspect of a subject matter or an assertion about the subject matter. When that is the case, the report may contain separate opinions or conclusions on each aspect of the subject matter or assertion (for example, examination level related to some aspects or assertions and limited assurance level related to others, or an unmodified conclusion on some aspects or assertions and a modified conclusion on others).</p> <p><b>.A87</b> A practitioner may report on subject matter or an assertion at multiple dates or covering multiple periods during which criteria have changed (for example, a practitioner's report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>o.</i> The city and state where the practitioner practices. (Ref: par. .A88)</p> <p><i>p.</i> The date of the report. The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate limited assurance evidence on which to base the practitioner's conclusion, including evidence that (Ref: par. .A89–.A90)</p> <ul style="list-style-type: none"> <li><i>i.</i> the attestation documentation has been reviewed,</li> <li><i>ii.</i> if applicable, the written presentation of the subject matter has been prepared, and</li> <li><i>iii.</i> the appropriate party has provided all necessary representations.</li> </ul>	<p>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, if applicable, in the written assertion, or in the report, even if the subject matter for the preceding date or period is not presented.</p> <p><b><i>Location (Ref: par. .46o)</i></b>  <b>.A88</b> In the United States, the location of the issuing office is the city and state. In another country, it may be the city and country.</p> <p><b><i>Date (Ref: par. .46p)</i></b>  <b>.A89</b> Including the date of the practitioner's report informs the intended users that the practitioner has considered the effect on the subject matter and on the report of events that occurred up to that date.</p> <p><b>.A90</b> Because the practitioner expresses a conclusion on the subject matter or assertion and the subject matter or assertion is the responsibility of the responsible party, the practitioner is not in a position to conclude that sufficient appropriate limited assurance evidence has been obtained until evidence is obtained that all the elements that the subject matter or assertion comprises, including any related notes, when applicable, have been prepared, and the responsible party has accepted responsibility for them.</p>
<p><b><i>Restricted-Use Paragraph</i></b>  <b>.47</b> In the following circumstances, the practitioner's report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .A91–.A93)</p>	<p><b><i>Restricted-Use Paragraph (Ref: par. .47 and .48b–c)</i></b>  <b>.A91</b> A practitioner's report for which the conditions in paragraph .47 do not apply need not include an alert that restricts its use. However, nothing in the attestation standards precludes a practitioner from including such an alert in any practitioner's report or other practitioner's written communication.</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>a.</i> The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.</p> <p><i>b.</i> The criteria used to evaluate the subject matter are available only to specified parties.</p> <p><i>c.</i> The criteria are designed for a specific purpose.</p>	<p><b>.A92</b> A practitioner's report that is required by paragraph .47 to include an alert that restricts the use of the report may be included in a document that also contains a practitioner's report that is for general use. In such circumstances, the use of the general use report is not affected.</p> <p><b>.A93</b> A practitioner may also issue a single combined practitioner's report that includes (<i>a</i>) a practitioner's report that is required by paragraph .47 to include an alert that restricts its use and (<i>b</i>) a report that is for general use. If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headers, the alert that restricts the use of the report may be limited to the report required by paragraph .47 to include such an alert. In such circumstances, the use of the general use report is not affected.</p>
<p><b>.48</b> The alert should</p> <p><i>a.</i> state that the practitioner's report is intended solely for the information and use of the specified parties,</p> <p><i>b.</i> identify the specified parties for whom use is intended, and (Ref: par. .A94)</p> <p><i>c.</i> state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A95–.A97)</p>	<p><b>.A94</b> The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, "all customers of XYZ Company during some or all of the period January 1, 20XX, to December 31, 20XX." The method of identifying the specified parties is determined by the practitioner.</p> <p><b>.A95</b> In some cases, the criteria used to measure or evaluate the subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner alerts users of the practitioner's report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b>.A96</b> The alert that restricts the use of the practitioner's report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the responsible party and, if different, the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the responsible party or, if different, the engaging party that the intended use of the report will be restricted, and may obtain the responsible party's agreement that the responsible party and specified parties will not distribute such report to parties other than those identified therein. A practitioner is not responsible for controlling, and cannot control, distribution of the report after its release.</p> <p><b>.A97</b> In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to a restricted-use report in which it is not named as a specified party.</p>
<p><b>.49</b> When the engagement is also performed in accordance with <i>Government Auditing Standards</i>, the alert required by paragraph .48 should not be used. Instead, the alert required by paragraph .47 should include</p> <ul style="list-style-type: none"> <li>a. a description of the purpose of the report and</li> <li>b. a statement that the report is not suitable for any other purpose.</li> </ul>	
<b>Reference to the Practitioner's Specialist</b>	<b>Reference to the Practitioner's Specialist (Ref: par. .50)</b>
<p><b>.50</b> The practitioner should not refer to the work of a practitioner's specialist in the practitioner's report containing an unmodified conclusion. (Ref: par. .A98)</p>	<p><b>.A98</b> The practitioner has sole responsibility for the conclusion expressed, and that responsibility is not reduced by the practitioner's use of the work of a practitioner's specialist.</p>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Modified Conclusions</b>	<b>Modified Conclusions (Ref: par. .51–.52 and .54)</b>
<b><i>Misstatement of Subject Matter</i></b>	
<p><b>.51</b> A practitioner who is engaged to perform a limited assurance engagement may become aware that the subject matter is misstated. If the misstatement is not corrected, the practitioner should consider whether modification of the standard practitioner's report is sufficient to address the misstatement of the subject matter. (Ref: par. .A99–.A100)</p>	<p><b>.A99</b> The two types of modified conclusions are a qualified conclusion and an adverse conclusion. The decision regarding what type of modified conclusion is appropriate depends on the following:</p> <ol style="list-style-type: none"> <li>a. The nature of the matter giving rise to the modification (that is, whether the subject matter of the engagement is in accordance with [or based on] the criteria or may be materially misstated)</li> <li>b. The practitioner’s professional judgment about the pervasiveness of the effects or possible effects of the matter on the subject matter of the engagement</li> </ol> <p><b>.A100</b> A practitioner may express an unmodified conclusion only when the engagement has been conducted in accordance with the attestation standards. Such standards will not have been complied with if the practitioner has been unable to apply all the procedures that the practitioner considers necessary in the circumstances.</p>
<p><b>.52</b> The practitioner should express a modified conclusion when, in the practitioner’s professional judgment, the subject matter is materially misstated. In such cases, the practitioner should express a qualified conclusion or adverse conclusion. (Ref: par. .A101)</p>	<p><b>.A101</b> Examples of qualified and adverse conclusions are as follows:</p> <ul style="list-style-type: none"> <li>• <i>Qualified conclusion.</i> “Based on the procedures performed and the evidence obtained, except for the effect of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the [appropriate party’s] statement does not present fairly, in all material respects.”</li> <li>• <i>Adverse conclusion (an example for a material and pervasive misstatement).</i> “Because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, the [appropriate party’s] statement does not present fairly the entity’s compliance with XYZ law.”</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.53</b> When the practitioner modifies the conclusion, the practitioner should include a separate paragraph in the practitioner's report that provides a description of the nature of the matter giving rise to the modification and, if practicable, includes the effects on the subject matter.</p>	
<p><b>.54</b> The practitioner should express a qualified conclusion when, in the practitioner's professional judgment, the effects of a matter are material but not pervasive. A qualified conclusion is expressed as being "except for" the effects of the matter to which the qualification relates. (Ref: par. .A102–.A103)</p>	<p><b>.A102</b> The term <i>pervasive</i> describes the effects on the subject matter of misstatements. Pervasive effects on the subject matter are those that, in the practitioner's professional judgment</p> <ul style="list-style-type: none"> <li>a. are not confined to specific aspects of the subject matter;</li> <li>b. if so confined, represent or could represent a substantial proportion of the subject matter; or</li> <li>c. in relation to disclosures, are fundamental to the intended users' understanding of the subject matter.</li> </ul> <p><b>.A103</b> The nature of the matter, and the practitioner's judgment about the pervasiveness of the effects on the subject matter, affect the type of conclusion to be expressed.</p>
<p><b>.55.</b> The practitioner should express an adverse conclusion when the practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the subject matter. (Ref: par. .A102–.A103)</p>	
<p><b>.56</b> If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should express a qualified or adverse conclusion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.</p>	
<p><b>.57</b> The practitioner's conclusion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing</p>	

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>matters related to the subject matter or any other reporting responsibilities. Any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear that these paragraphs are not intended to detract from that conclusion.</p>	
<p><b>.58</b> When the conclusion is modified, reference to an external specialist is permitted when such reference is relevant to an understanding of the modification to the practitioner's conclusion. The practitioner should indicate in the practitioner's report that such reference does not reduce the practitioner's responsibility for that conclusion.</p>	
<p><b><i>Scope Limitations</i></b></p>	<p><b><i>Scope Limitations (Ref: par. .59)</i></b></p>
<p><b>.59</b> If the practitioner is unable to obtain sufficient appropriate limited assurance evidence, a scope limitation exists. When a scope limitation exists, the practitioner should withdraw from the engagement, when withdrawal is possible under applicable laws and regulations. (Ref: par. .A56 and .A104–.A105)</p>	<p><b>.A104</b> The procedures performed in a limited assurance engagement are, by definition, limited compared with those performed in an examination engagement. Limitations known to exist prior to accepting a limited assurance engagement are a relevant consideration when establishing whether the preconditions for a limited assurance engagement are present, in particular, whether the practitioner expects to be able to obtain the evidence needed to arrive at the practitioner's conclusion. (See AT-C section 105.)<sup>4</sup> If a further limitation is imposed by the appropriate party after a limited assurance engagement has been accepted, it may be appropriate to withdraw from the engagement, when withdrawal is possible under applicable laws and regulations.</p> <p><b>.A105</b> An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate limited assurance evidence by performing alternative procedures.</p>
<p><b>Communication Responsibilities</b></p>	<p><b>Communication Responsibilities (Ref: par. .60)</b></p>
<p><b>.60</b> The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, as well as uncorrected misstatements. When the</p>	<p><b>.A106</b> Other matters that may be appropriate to communicate to the appropriate party include deficiencies in internal control identified</p>

<sup>4</sup> Paragraph .25ciii of AT-C section 105, *Concepts Common to All Attestation Engagements*.

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. .A106)	during the engagement or bias in the measurement, evaluation, or disclosure of the subject matter.
<b>Documentation</b>	<b>Documentation (Ref: par. .61)</b>
<p><b>.61</b> The practitioner should prepare engagement documentation that is sufficient to determine the following: (Ref: par. .A107–.A110)</p> <p><i>a.</i> The nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including the following:</p> <p><i>i.</i> The identifying characteristics of the specific items or matters tested</p> <p><i>ii.</i> Who performed the engagement work and the date such work was completed</p> <p><i>iii.</i> The discussions with the responsible party or others about findings or issues that, in the practitioner's professional judgment, are significant, including the nature of the significant findings or issues discussed, and when and with whom the discussions took place</p> <p><i>iv.</i> When one or more of the requested written representations have not been provided or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the matters in paragraph .38</p>	<p><b>.A107</b> Documentation includes a record of the practitioner's reasoning on all significant findings or issues that require the exercise of professional judgment and related conclusions. The existence of difficult questions of principle or professional judgment calls for the documentation to include the relevant facts that were known by the practitioner at the time the conclusion was reached.</p> <p><b>.A108</b> It is neither necessary nor practical to document every matter considered, or professional judgment made, during an engagement. Further, it is unnecessary for the practitioner to document separately (as in a checklist) compliance with matters for which compliance is demonstrated by documents included in the engagement file. Similarly, the practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.</p> <p><b>.A109</b> In applying professional judgment to assess the extent of documentation to be prepared and retained, the practitioner may consider what is necessary to provide an experienced practitioner, having no previous connection with the engagement, with an understanding of the work performed and the basis of the principal decisions made.</p> <p><b>.A110</b> Documentation ordinarily includes a record of the following:</p> <ul style="list-style-type: none"> <li>• Issues identified with respect to compliance with relevant ethical requirements and how they were resolved</li> </ul>

<b>Proposed AT-C Section 210, <i>Limited Assurance Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>v. When the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph .34, the oral responses from the responsible party to the practitioner's inquiries regarding the matters in paragraph .34</p> <p>vi. Who reviewed the engagement work performed and the date and extent of such review</p> <p>vii. If the practitioner identified information that is inconsistent with the practitioner's final conclusion regarding a significant finding or issue, how the practitioner addressed the inconsistency</p> <p>b. The results of the procedures performed and the limited assurance evidence obtained</p>	<ul style="list-style-type: none"> <li>• Conclusions on compliance with independence requirements that apply to the engagement and any relevant discussions with the firm that support these conclusions</li> <li>• Conclusions reached regarding the acceptance and continuance of client relationships and attestation engagements</li> <li>• The nature and scope of, and conclusions resulting from, consultations undertaken during the course of the engagement</li> </ul>
<p><b>.62</b> If, in circumstances such as those described in paragraph .33, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner's report, the practitioner should document the following:</p> <p>a. The circumstances encountered</p> <p>b. The new or additional procedures performed, evidence obtained, and conclusions reached and their effect on the report</p> <p>c. When and by whom the resulting changes to the documentation were made and reviewed</p>	

.A111

## **Exhibit—Illustrative Practitioner’s Limited Assurance Reports**

The illustrative practitioner's limited assurance reports in this exhibit meet the applicable reporting requirements in paragraphs .43–.59. A practitioner may use alternative language in drafting a limited assurance report, provided that the language meets the applicable requirements in paragraphs .43–.59.

### **Example 1: Practitioner’s Limited Assurance Report on Subject Matter; Unmodified Conclusion**

The following is an illustrative practitioner's limited assurance report in which the practitioner has performed a limited assurance engagement on the subject matter and is reporting on the subject matter.

#### **Independent Accountant’s Limited Assurance Report**

*[Appropriate Addressee]*

We have undertaken a limited assurance engagement of *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*. XYZ Company's management is responsible for the preparation of *[identify the subject matter, for example, presenting the schedule of investment returns]* in accordance with (or based on) *[identify the criteria, for example, the ABC criteria set forth in Note 1]*. Our responsibility is to express a conclusion on *[identify the subject matter, for example, the schedule of investment returns]* based on our limited assurance engagement.

We conducted our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the engagement to obtain limited assurance about whether any material modifications should be made to *[identify the subject matter, for example, the schedule of investment returns]* in order for it to be in accordance with (or based on) the criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than an examination, the objective of which is to obtain reasonable assurance about whether *[identify the subject matter, for example, the schedule of investment returns]* is in accordance with (or based on) the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. As a consequence of the limited nature of the engagement, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

The procedures we performed were based on our professional judgment and included *[for example, inquiries, inspection of documents, analytical procedures, and agreeing or reconciling with underlying records]*.

*[The practitioner may insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the basis for the practitioner's conclusion.]*

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

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

## **Example 2: Practitioner's Limited Assurance Report on an Assertion; Unmodified Conclusion; Use of the Report is Restricted to Specified Parties**

The following is an illustrative practitioner's report for a limited assurance engagement in which the practitioner has performed a limited assurance engagement on the responsible party's assertion and is reporting on that assertion. Although suitable criteria exist for the subject matter, use of the report is restricted to specified parties because the criteria are available only to the specified parties.

### **Independent Accountant's Limited Assurance Report**

*[Appropriate Addressee]*

We have undertaken a limited assurance engagement of management of XYZ Company's assertion that *[identify the assertion, including the subject matter and the criteria, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, is presented in accordance with (or based on) the ABC criteria set forth in Note I]*. XYZ Company's management is responsible for its assertion. Our responsibility is to express a conclusion on management's assertion based on our limited assurance engagement.

We conducted our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require

that we plan and perform the engagement to obtain limited assurance about whether any material modifications should be made to management's assertion in order for it to be fairly stated.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. As a consequence of the limited nature of the engagement, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

The procedures we performed were based on our professional judgment and included *[for example, inquiries, inspection of documents, analytical procedures, and agreeing or reconciling with underlying records]*.

*[The practitioner may insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the basis for the practitioner's conclusion.]*

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

Based on our limited assurance engagement, we are not aware of any material modifications that should be made to management of XYZ Company's assertion in order for it to be fairly stated.

This report is intended solely for the information and use of *[identify the specified parties, for example, ABC Company and XYZ Company]*, and is not intended to be, and should not be, used by anyone other than the specified parties.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

### **Example 3: Practitioner's Limited Assurance Report on Subject Matter; Qualified Conclusion**

The following is an illustrative practitioner's report for a limited assurance engagement in which the practitioner expresses a qualified conclusion because the limited assurance engagement

identified conditions that, individually or in combination, result in one or more material, but not pervasive, misstatements of the subject matter, based on the criteria. The practitioner has performed a limited assurance engagement on the subject matter and is also reporting on the subject matter. Paragraph .56 states, "If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should express a qualified or adverse conclusion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement."

### **Independent Accountant's Limited Assurance Report**

*[Appropriate Addressee]*

We have undertaken a limited assurance engagement of *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*. XYZ Company's management is responsible for the preparation of *[identify the subject matter, for example, presenting the schedule of investment returns]* based on *[identify the criteria, for example, the ABC criteria set forth in Note 1]*. Our responsibility is to express a conclusion on *[identify the subject matter, for example, the schedule of investment returns]* based on our limited assurance engagement.

We conducted our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the engagement to obtain limited assurance about whether any material modifications should be made to *[identify the subject matter, for example, the schedule of investment returns]* in order for it to be in accordance with (or based on) the criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. As a consequence of the limited nature of the engagement, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

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

The procedures we performed were based on our professional judgment and included *[for example, inquiries, inspection of documents, analytical procedures, and agreeing or reconciling with underlying records]*.

*[The practitioner may insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the basis for the practitioner's conclusion.]*

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

Our limited assurance engagement identified *[describe condition(s) that, individually or in the aggregate, resulted in a material misstatement, or deviation from, the criteria]*.

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

#### **Example 4: Practitioner's Limited Assurance Report on a Greenhouse Gas (GHG) Statement; Unmodified Conclusion**

##### **Independent Practitioner's Limited Assurance Report on XYX Company's Greenhouse Gas (GHG) Statement**

*[Appropriate Addressee]*

We have undertaken a limited assurance engagement with respect to the accompanying Greenhouse Gas (GHG) Emissions Statement (GHG Statement) of XYZ Company for the year ended December 31, 20X1, comprising the Emissions Inventory [and Explanatory Notes on pages xx-yy]. XYZ Company is responsible for the preparation of the GHG Statement in accordance with the criteria set forth in Note 1 (the criteria). Our responsibility is to express a conclusion on the GHG Statement based on our limited assurance engagement.

We conducted our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the engagement to obtain limited assurance about whether any material modifications should be made to the GHG Statement in order for it to be in accordance with the criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. As a consequence of the limited nature of the engagement, the level of assurance obtained in a limited assurance engagement is

substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

As discussed in Note 1 to the GHG Statement, GHG quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

*[The practitioner may insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the basis for the practitioner's conclusion. The following section has been provided as guidance, and the example procedures are not an exhaustive list of either the type, or extent, of the procedures which may be important for the users' understanding of the work done.]*

Given the circumstances of the engagement, in performing the procedures listed above, we

- through inquiries, obtained an understanding of XYZ's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation, or test their operating effectiveness.
- reviewed whether XYZ's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate XYZ's estimates.
- undertook site visits [at three sites] to test the completeness of the emissions sources, data collection methods, source data, and relevant assumptions applicable to the sites. The sites selected for testing were chosen taking into consideration their emissions in relation to total emissions, emissions sources, and sites selected in prior periods. Our procedures [did/did not] include testing information systems to collect and aggregate facility data, or the controls at these sites.

Based on our limited assurance engagement, we are not aware of any material modifications that should be made to XYZ Company's GHG Statement for the year ended December 31, 20X1, in order for it to be in accordance with the criteria applied as explained in Note 1 to the GHG Statement.

*[Practitioner's signature]*  
*[Practitioner's city and state]*  
*[Date of practitioner's report]*

## **Example 5: Practitioner's Limited Assurance Report on Corporate Responsibility Report; Qualified Conclusion**

### **Independent Practitioner's Limited Assurance Report on Corporate Responsibility Report**

*[Appropriate Addressee]*

We have undertaken a limited assurance engagement of the accompanying Corporate Responsibility Report (the report) of ABC Company for the year ended July 31, 20X1.

#### *ABC Company's Responsibility for the Report*

ABC Company is responsible for the preparation of the report in accordance with ABC Company's Corporate Responsibility Reporting Guidance 20X1 as set out at [www.abccompany.com](http://www.abccompany.com) (the reporting criteria) and for selecting and developing the reporting criteria. This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of a report that is free from material misstatement, whether due to fraud or error.

The nature of non-financial information; the absence of a significant body of established practice on which to draw; and the methods and precision used to measure non-financial information, allow for different, but acceptable evaluation and measurement techniques and can result in materially different measurements, affecting comparability between entities and over time.

#### *Our Responsibility*

Our responsibility is to express a conclusion on the report based on our limited assurance engagement. We conducted our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform this engagement to obtain limited assurance about whether any material modifications should be made to the report in order for it to be in accordance with the reporting criteria.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct established by the AICPA.

We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. As a consequence of the limited nature of the engagement, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been

performed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

*Basis for Qualified Conclusion*

A significant portion of the non-hazardous waste figure of 320,000 tons set out in the report on page X is calculated using an estimation methodology. Due to the nature of ABC Company's waste data measurement procedures and records in the year ended July 31, 20X1, we were unable to obtain sufficient appropriate evidence to assess whether the estimation methodology is a reasonable basis for the determination of the non-hazardous waste figure. Consequently, we were unable to determine whether the non-hazardous waste figure has been properly prepared in accordance with the reporting criteria.

*Limited Assurance Conclusion*

Based on our limited assurance engagement, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, we are not aware of any material modifications that should be made to ABC Company's report for the year ended July 31, 20X1, in order for it to be in accordance with the reporting criteria.

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]

**Example 6: Practitioner's Limited Assurance Report on Sustainability Report; Adverse Conclusion**

**Independent Practitioner's Limited Assurance Report on Sustainability Report**

[Appropriate Addressee]

We have undertaken a limited assurance engagement of the sustainability information in the sustainability report of ABC Company (the sustainability report) for the period January 1, 20X1, to December 31, 20X1.

*ABC Company's Responsibility for the Sustainability Report*

ABC Company is responsible for the preparation of the sustainability report in accordance with the criteria set forth in the G4 Sustainability Reporting Guidelines in the Global Reporting initiative (GRI) (the GRI criteria). This responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation of a sustainability report that is free from material misstatement, whether due to fraud or error.

*Our Responsibility*

Our responsibility is to express a conclusion on the sustainability report based on our limited assurance engagement. We conducted our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform this engagement to obtain limited assurance about

whether any material modifications should be made to the sustainability report in order for it to be in accordance with the GRI criteria.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct established by the AICPA.

We applied the Statements on Quality Control Standards established by the AICPA and, accordingly, maintain a comprehensive system of quality control.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. As a consequence of the limited nature of the engagement, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

*Basis for Adverse Conclusion*

ABC Company has not...

Had ABC Company properly accounted for... many elements in the sustainability report would have been materially affected. The effects on the sustainability report have not been determined.

*Adverse Conclusion*

Based on our limited assurance engagement, because of the significance of the matter described in the Basis for Adverse Conclusion section of our report, ABC Company's sustainability report is not in accordance with the GRI criteria.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

## Exposure Draft

### Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements*

#### CONTENTS

	<b>Paragraph</b>
<b>Introduction</b> .....	01–06
<b>Effective Date</b> .....	07
<b>Objectives</b> .....	08
<b>Requirements</b>	
Conduct of an Agreed-Upon Procedures Engagement .....	09
Preconditions for an Agreed-Upon Procedures Engagement .....	10–11
Agreeing on the Terms of the Engagement .....	12–13
Procedures to Be Performed .....	14–16
Using the Work of a Practitioner’s External Specialist .....	17–18
Using the Work of Internal Auditors or Other Practitioners.....	19
Appropriateness of the Procedures Performed .....	20–21
Findings.....	22–24
Written Representations.....	25–27
Written Representations Not Provided or Not Reliable.....	28
Preparing the Practitioner’s Report.....	29–31
Content of the Practitioner’s Agreed-Upon Procedures Report .....	32
Alert That Restricts the Use of the Practitioner’s Agreed-Upon Procedures Report..	33–34
Restrictions on the Performance of Procedures .....	35
Knowledge of Matters Outside Procedures .....	36
Communication Responsibilities .....	37
Documentation.....	38
<b>Application and Other Explanatory Material</b>	
Objectives .....	A1
Conduct of an Agreed-Upon Procedures Engagement .....	A2
Preconditions for an Agreed-Upon Procedures Engagement .....	A3
Agreeing on the Terms of the Engagement .....	A4–A15
Procedures to Be Performed .....	A16–A22
Using the Work of a Practitioner’s External Specialist .....	A23–A25
Using the Work of Internal Auditors or Other Practitioners.....	A26–A28
Appropriateness of the Procedures Performed .....	A29–A30
Findings.....	A31–A35
Written Representations.....	A36–A38
Written Representations Not Provided or Not Reliable.....	A39–A41
Preparing the Practitioner’s Report.....	A42–A44
Content of the Practitioner’s Agreed-Upon Procedures Report .....	A45–A56
Alert That Restricts the Use of the Practitioner’s Agreed-Upon Procedures Report.....	A57–A64
Knowledge of Matters Outside Procedures .....	A65–A66
Documentation.....	A67–A68
<b>Exhibit—Illustrative Practitioner’s Agreed-Upon Procedures Reports</b> .....	A69

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Introduction</b></p> <p><b>.01</b> This section contains performance and reporting requirements and application guidance for all agreed-upon procedures engagements. The requirements and guidance in this section supplement the requirements and guidance in AT-C section 105, <i>Concepts Common to All Attestation Engagements</i>.*</p> <p><b>.02</b> An <i>agreed-upon procedures engagement</i> is one in which a practitioner is engaged to issue, or does issue, a practitioner’s report of findings based on specific procedures applied to subject matter. The subject matter may be financial or nonfinancial information. The procedures may be developed by the practitioner, the engaging party, another party, or a combination of these parties. The needs of engaging parties vary widely and the nature, timing, and extent of the procedures are, therefore, engagement-specific and tailored to meet the engaging party’s needs.</p> <p><b>.03</b> Because the engaging party best understands its own needs, the engaging party is required to acknowledge that the procedures performed are appropriate for the intended purpose of the engagement prior to issuance of the practitioner’s agreed-upon procedures report. Circumstances may exist in which the practitioner may want acknowledgment regarding the appropriateness of the procedures from other parties in addition to the engaging party. Additionally, there may be engagements in which the engaging party or other parties assume responsibility for the sufficiency of the procedures. The engaging party and, if applicable, the other parties assume the risk that such procedures might be insufficient for their purposes. In addition, those parties assume the risk that they might misunderstand or otherwise inappropriately use findings properly reported on by the practitioner.</p>	

\* All AT-C sections can be found in AICPA *Professional Standards*.

<b>Proposed AT-C Section 215, Agreed-Upon Procedures Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
.04 In an engagement performed in accordance with this section, the practitioner does not perform an examination or a limited assurance engagement and does not provide an opinion or conclusion. Instead, the agreed-upon procedures report is in the form of procedures and findings.	
.05 When a practitioner performs services pursuant to an engagement to apply agreed-upon procedures to subject matter as part of or in addition to another form of service, this section applies only to those services described herein; other professional standards would apply to the other services. Other services may include an audit, review, or compilation of a financial statement, another attestation service performed pursuant to the attestation standards, or a nonattest service. A practitioner’s report on applying agreed-upon procedures to subject matter may be combined with a report on such other services, provided the types of services can be clearly distinguished, and the applicable standards for each service are followed.	
.06 This section does not apply to engagements to issue letters (commonly referred to as <i>comfort letters</i> ) to underwriters and certain other requesting parties. <sup>1</sup>	
<b>Effective Date</b>	
.07 If issued as final, this section will be effective for agreed-upon procedures reports dated on or after May 1, 2020. <sup>†</sup> Early implementation is not permitted.	
<b>Objectives</b>	<b>Objectives (Ref: par. .08a)</b>
.08 In conducting an agreed-upon procedures engagement, the objectives of the practitioner are to do the following: <ul style="list-style-type: none"> <li>a. Apply specific procedures to subject matter. (Ref: par. .A1)</li> </ul>	.A1 In an agreed-upon procedures engagement, the practitioner applies procedures to the subject matter of the engagement. The requirements and guidance related to the subject matter and criteria in AT-C section 105 apply.

<sup>1</sup> See AU-C section 920, *Letters for Underwriters and Certain Other Requesting Parties*, in *AICPA Professional Standards*.

<sup>†</sup> This proposed effective date is provisional but will not be earlier than May 1, 2020.

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>b. Issue a written practitioner’s report that describes the procedures applied and the practitioner’s findings without providing an opinion or conclusion on the subject matter.</p> <p>c. Communicate further as required by relevant AT-C sections.</p>	
<b>Requirements</b>	
<b>Conduct of an Agreed-Upon Procedures Engagement</b>	<b>Conduct of an Agreed-Upon Procedures Engagement (Ref: par. .09–.10)</b>
.09 In performing an agreed-upon procedures engagement, the practitioner should comply with this section, AT-C section 105, and any subject matter section that is relevant to the engagement. A subject matter AT-C section is relevant to the engagement when it is in effect and the circumstances addressed by the AT-C section exist. (Ref: par. .A2)	.A2 For example, if a practitioner were performing an agreed-upon procedures engagement related to an entity’s compliance with requirements of specified laws, regulations, rules, contracts, or grants, AT-C section 105, this section, and AT-C section 315, <i>Compliance Attestation</i> , would be relevant.
<b>Preconditions for an Agreed-Upon Procedures Engagement</b>	<b>Preconditions for an Agreed-Upon Procedures Engagement (Ref: par. .10)</b>
.10 AT-C section 105 indicates that a 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. <sup>2</sup> When the practitioner is not independent but is required by law or regulation to accept an agreed-upon procedures engagement and report on the procedures performed and findings obtained, the practitioner’s report should specifically state that the practitioner is not independent. The practitioner is neither required to provide, nor precluded from providing, the reasons for the lack of independence; however, if the practitioner chooses to provide the reasons for the lack of independence, the practitioner should include all the reasons therefor. (Ref: par. .A3)	.A3 The “Agreed-Upon Procedure Engagements Performed in Accordance With SSAEs” interpretation (ET sec. 1.297.020) <sup>‡</sup> of the “Independence Rule” establishes independence requirements unique to agreed-upon procedures engagements.

<sup>2</sup> Paragraph .10 of AT-C section 105, *Concepts Common to All Attestation Engagements*.

<sup>‡</sup> All ET sections can be found in AICPA *Professional Standards*.

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.11</b> In order to establish that the preconditions for an agreed-upon procedures engagement are present, the practitioner should determine that the following conditions, in addition to the preconditions identified in AT-C section 105, are present:<sup>3</sup></p> <ul style="list-style-type: none"> <li>a. The practitioner determines that procedures can be designed, performed, and reported on to meet the intended purpose of the engagement.</li> <li>b. Procedures to be applied to the subject matter will be expected to result in reasonably consistent findings using the criteria.</li> <li>c. When applicable, the practitioner agrees to apply any materiality limits established by the engaging party for reporting purposes.</li> </ul>	
<b>Agreeing on the Terms of the Engagement</b>	<b>Agreeing on the Terms of the Engagement (Ref: par. .12–.13 and .20)</b>
<p><b>.12</b> The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A4)</p>	<p><b>.A4</b> It is in the interests of both the engaging party and the practitioner to document the agreed-upon terms of the engagement before the commencement of the engagement to help avoid misunderstandings. The form and content of the engagement letter or other suitable form of written agreement will vary with the engagement circumstances.</p>
<p><b>.13</b> The agreed-upon terms of the engagement should include the following:</p> <ul style="list-style-type: none"> <li>a. The nature of the engagement</li> <li>b. Identification of the subject matter, the responsible party, and the criteria to be used</li> <li>c. The responsibilities of the practitioner (Ref: par. .A5–.A7)</li> <li>d. A statement that the engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants</li> </ul>	<p><b>.A5</b> The practitioner’s responsibilities may include recommending, developing, or assisting in developing the procedures to be performed.</p> <p><b>.A6</b> The responsibility of the practitioner is to carry out the procedures and report the findings in accordance with the attestation standards. The practitioner assumes the risk that misapplication of the procedures may result in inappropriate findings being reported. Furthermore, the practitioner assumes the risk that appropriate</p>

<sup>3</sup> Paragraphs .25–.30 of AT-C section 105.

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>e. The responsible party is responsible for the subject matter in accordance with (or based on) the criteria (Ref: par. .A8–.A11)</p>	<p>findings may not be reported or may be reported inaccurately. The practitioner’s risks can be reduced through adequate planning and supervision and due professional care in performing the procedures, accumulating the findings, and preparing the practitioner’s report.</p> <p><b>.A7</b> The practitioner has no responsibility to determine the differences between the procedures to be performed and the procedures that the practitioner would have determined to be necessary had the practitioner been engaged to perform another form of attestation engagement. The procedures that the practitioner performs pursuant to an agreed-upon procedures engagement may be more or less extensive than the procedures that the practitioner would determine to be necessary had he or she been engaged to perform another form of engagement.</p> <p><b>.A8</b> A practitioner may also be engaged, as a separate service, to assist the responsible party in measuring or evaluating the subject matter against the criteria.</p> <p><b>.A9</b> Regardless of the procedures performed by the practitioner when assisting the responsible party in measuring or evaluating the subject matter, the responsible party is required to accept responsibility for the subject matter in accordance with (or based on) the criteria.</p> <p><b>.A10</b> There may be circumstances in which the party responsible for the subject matter is not a party to the engagement. For example, the practitioner may be engaged to perform procedures with respect to benchmarking certain information in which multiple entities may be responsible for certain aspects of the information, or the information may be publicly available, such as subject matter that appears on the internet or in a public building such as a grocery or retail store. If the practitioner is engaged to benchmark the prices of 10 products at 3 different stores on a certain date, each of the stores may be</p>

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>f.</i> A statement that the procedures that will be performed will not constitute an examination or a limited assurance attestation engagement (or an audit or review of financial statements, if applicable) and accordingly, the practitioner will not express an opinion or a conclusion</p> <p><i>g.</i> Identification of the following:</p> <ul style="list-style-type: none"> <li><i>i.</i> The intended purpose of the engagement as determined by the engaging party (Ref: par. .A12)</li>   <li><i>ii.</i> If applicable, the law, regulation, or contract pursuant to which the engagement is to be performed</li>   <li><i>h.</i> An acknowledgment that the engaging party agrees to provide the practitioner, prior to the completion of the engagement, with a written acknowledgment regarding the appropriateness of the procedures for the intended purpose of the engagement (Ref. par. .A13–.A15).</li> <li><i>i.</i> An acknowledgment that the appropriate party agrees to provide, at the conclusion of the engagement, a representation letter</li> </ul>	<p>responsible for the source of the subject matter and the price that is published on the shelf. As another example, if the practitioner is engaged to count the ballots of an election, although a party may be responsible for the voting process, such party is not responsible for the subject matter of the outcome of the election.</p> <p><b>.A11</b> The engaging party may request that the practitioner recommend, develop, or assist in the development of criteria for the engagement. The engaging party is deemed to have identified the criteria if they agree to the criteria that the practitioner recommended, developed, or assisted in the development of.</p> <p><b>.A12</b> The intended purpose of the engagement is determined by the engaging party. The engagement may be related to law, regulation, or contract or from a request by a third party, or may be the result of the engaging party providing information to a broad class of users, such as customers. For example, the intended purpose may be stated as “to assist users of this report in assessing whether [the subject matter] is [performed, presented] in accordance with [the criteria to be used].”</p> <p><b>.A13</b> In addition to obtaining the required acknowledgment regarding the appropriateness of the procedures from the engaging party, the practitioner may also want other parties to acknowledge that the procedures performed are appropriate for their purposes. For example, the practitioner may decide to restrict the use of the practitioner’s report to certain specified parties and obtain</p>

<b>Proposed AT-C Section 215, Agreed-Upon Procedures Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<ul style="list-style-type: none"> <li><i>j.</i> Disclaimers expected to be included in the practitioner’s report, if applicable</li> <li><i>k.</i> Use restrictions, if applicable</li> <li><i>l.</i> Assistance to be provided to the practitioner, if applicable</li> <li><i>m.</i> Involvement of a practitioner’s external specialist, if applicable</li> <li><i>n.</i> Specified materiality limits, if applicable</li> </ul>	<p>acknowledgment from those specified parties that the procedures performed are appropriate for their purposes. Additionally, if the engagement is related to a contract or regulation, the practitioner may want to confirm with the other parties to the contract or with the regulator that the procedures are appropriate for their purposes. Nothing precludes the practitioner and engaging party from agreeing to the type of communication or acknowledgment to be used and who would make the communication. However, if the practitioner intends to communicate directly with a party other than the engaging party, the rules regarding confidential information as set forth in the AICPA Code of Professional Conduct may apply.</p> <p><b>.A14</b> If the procedures are prescribed or otherwise developed by parties other than the practitioner, the agreed-upon terms of the engagement may include the procedures to be performed.</p> <p><b>.A15</b> The agreed-upon terms of the engagement may include that other parties acknowledge that they assume responsibility for the sufficiency of the procedures and the identification of such parties.</p>
<b>Procedures to Be Performed</b>	<b>Procedures to Be Performed (Ref: par. .14–.15)</b>
<p><b>.14</b> The practitioner should perform procedures designed to meet the intended purpose of the engagement as determined by the engaging party and included in the agreed-upon terms of the engagement. (Ref: par. .A16–.A21)</p>	<p><b>.A16</b> The procedures to be performed may be developed by the practitioner, the engaging party, another party, or a combination of these parties. Further, the procedures may be prescribed by law, regulation, or contract.</p> <p><b>.A17</b> Mere reading of specified information about the subject matter does not constitute a procedure sufficient to permit a practitioner to report on the results of applying procedures.</p> <p><b>.A18</b> Examples of appropriate procedures include the following:</p>
	<p><b>.A18</b> Examples of appropriate procedures include the following:</p>

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• Inspection of specified documents evidencing certain types of transactions or detailed attributes thereof</li> <li>• Confirmation of specific information with third parties</li> <li>• Comparison of documents, schedules, or analyses with certain specified attributes</li> <li>• Performance of specific procedures on work performed by others</li> <li>• Performance of mathematical computations</li> </ul>
	<p><b>.A19</b> Examples of inappropriate procedures include the following:</p> <ul style="list-style-type: none"> <li>• Mere reading of the work performed by others solely to describe their findings</li> <li>• Evaluating the competency or objectivity of another party</li> <li>• Obtaining an understanding about a particular subject</li> <li>• Interpreting documents outside the scope of the practitioner’s professional expertise</li> </ul>
	<p><b>.A20</b> If the practitioner selects a sample, stating the size of the sample and how the sample was selected contributes to the specificity of the description of procedures performed (for example, 50 items starting at the eighth item and selecting every fifteenth item thereafter or invoices issued from May 1 to July 31, 20XX).</p>
	<p><b>.A21</b> Examples of other information the practitioner may include are the date the procedure was performed and the sources of information used in performing the procedure.</p>
<p><b>.15</b> The practitioner should not perform procedures that are open to varying interpretations or that use vague or ambiguous language. Terms of uncertain meaning (such as <i>general review</i>, <i>limited review</i>, <i>check</i>, or <i>test</i>) should not be used in describing the procedures unless such terms are defined within the procedures. (Ref: par. .A22)</p>	<p><b>.A22</b> To avoid vague or ambiguous language, the procedures to be performed are characterized by the action to be taken at a level of specificity sufficient for a reader to understand the nature and extent of the procedures performed. Examples of acceptable descriptions of actions are as follows:</p>

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• Inspect</li> <li>• Confirm</li> <li>• Compare</li> <li>• Agree</li> <li>• Trace</li> <li>• Inquire</li> <li>• Recalculate</li> <li>• Observe</li> <li>• Mathematically check</li> </ul> <p>Conversely, the following descriptions of actions (unless defined to indicate the nature, timing, and extent of the procedures associated with these actions) generally are not acceptable because they are not sufficiently precise or have an uncertain meaning:</p> <ul style="list-style-type: none"> <li>• Note</li> <li>• Review</li> <li>• General review</li> <li>• Limited review</li> <li>• Evaluate</li> <li>• Analyze</li> <li>• Check</li> <li>• Test</li> <li>• Interpret</li> <li>• Verify</li> <li>• Examine</li> </ul>
<p><b>.16</b> The practitioner should obtain evidence from applying the procedures to provide a reasonable basis for the finding or findings expressed in the practitioner’s report but need not perform additional procedures outside the scope of the engagement to gather additional evidence.</p>	

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Using the Work of a Practitioner’s External Specialist</b>	<b>Using the Work of a Practitioner’s External Specialist (Ref: par. .17)</b>
<p><b>.17</b> The practitioner, the engaging party, and, when applicable, specified parties should explicitly agree to the involvement of a practitioner’s external specialist if assisting a practitioner in the performance of an agreed-upon procedures engagement. (Ref: par. .A23–.A25)</p>	<p><b>.A23</b> The practitioner’s education and experience enable the practitioner to be knowledgeable about business matters in general, but the practitioner is not expected to have the expertise of a person trained for or qualified to engage in the practice of another profession or occupation. In certain circumstances, it may be appropriate to involve a practitioner’s external specialist to assist the practitioner in the performance of one or more procedures. The following are examples of such circumstances:</p> <ul style="list-style-type: none"> <li>• An attorney who helps with the interpretation of legal terminology in laws, regulations, rules, contracts, or grants</li> <li>• A medical specialist who assists with understanding the characteristics of diagnosis codes documented in patient medical records</li> <li>• An environmental engineer who assists with the interpretation of environmental remedial action regulatory directives that may affect the procedures applied to an environmental liabilities account in a financial statement</li> <li>• A geologist who helps distinguish between the physical characteristics of a generic minerals group related to information to which the procedures are applied</li> </ul>
	<p><b>.A24</b> The agreement regarding the involvement of a practitioner’s external specialist may be reached when agreeing upon the terms of the engagement or as part of obtaining the engaging party’s acknowledgment that the procedures performed are appropriate for the intended purpose of the engagement.</p>
	<p><b>.A25</b> A practitioner may apply procedures to the report or work product of a practitioner’s external specialist that does not constitute</p>

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>assistance by the external specialist to the practitioner in an agreed-upon procedures engagement. For example, the practitioner may reference information contained in a report of a practitioner's external specialist in describing a procedure. However, it is inappropriate for the practitioner to merely read the external specialist's report solely to describe or repeat the findings or to take responsibility for all or a portion of any procedures performed by a practitioner's external specialist or the external specialist's work product.</p>
<p><b>.18</b> The practitioner's report should describe the nature of the assistance provided by the practitioner's external specialist.</p>	
<b>Using the Work of Internal Auditors or Other Practitioners</b>	<b>Using the Work of Internal Auditors or Other Practitioners (Ref: par. .19)</b>
<p><b>.19</b> The procedures to be enumerated or referred to in the practitioner's report should be performed entirely by the engagement team or other practitioners. (Ref: par. .A26-.A28)</p>	<p><b>.A26</b> Internal auditors or other personnel may prepare schedules and accumulate data or provide other information for the practitioner's use in performing the procedures. Also, internal auditors may perform and report separately on procedures that they have carried out. Such procedures may be similar to those that a practitioner may perform under this section.</p>
	<p><b>.A27</b> A practitioner may perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may do the following:</p> <ul style="list-style-type: none"> <li>• Repeat all or some of the procedures</li> <li>• Determine whether the internal auditors' documentation indicates procedures performed and whether the findings documented are presented in a report by the internal auditors</li> </ul>
	<p><b>.A28</b> It is inappropriate for the practitioner to do the following:</p>

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• Merely read the internal auditors’ report solely to describe or repeat their findings</li> <li>• Take responsibility for all or a portion of any procedures performed by internal auditors by reporting those findings as the practitioner’s own</li> <li>• Report in any manner that implies shared responsibility for the procedures with the internal auditors</li> </ul>
<b>Appropriateness of the Procedures Performed</b>	<b>Appropriateness of the Procedures Performed (Ref: par. .20 and .25)</b>
<p><b>.20</b> Prior to the issuance of the practitioner’s agreed-upon procedures report, the practitioner should obtain a written acknowledgment from the engaging party that the procedures performed are appropriate for the intended purpose of the engagement. (Ref: par. .A13 and .A29–.A30)</p> <p><b>.21</b> If the engaging party refuses to provide the written acknowledgment required by paragraph .20, the practitioner should withdraw from the engagement.</p>	<p><b>.A29</b> The practitioner’s communication with the engaging party enables the engaging party, if not already aware, to be made aware of the specific procedures performed and affords the engaging party an opportunity to suggest alternative or additional procedures that the engaging party may feel are appropriate in order to meet the purpose of the engagement.</p> <p><b>.A30</b> The written acknowledgment of the appropriateness of the procedures performed may be documented in the engagement letter, an addendum to the engagement letter, a representation letter, or some other written communication.</p>
<b>Findings</b>	<b>Findings (Ref: par. .23–.24)</b>
<p><b>.22</b> A practitioner should present the results of applying procedures to specific subject matter in the form of findings.</p>	
<p><b>.23</b> The practitioner should report all findings from application of the procedures. Any specified materiality limits should be described in the practitioner’s report. (Ref: par. .A31 and .A43)</p>	<p><b>.A31</b> An example of language that describes a materiality limit is as follows: “For purposes of performing these procedures, no exceptions were reported for differences of \$1,000 or less resulting solely from the rounding of amounts disclosed.”</p>

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>		
<p><b>.24</b> In reporting findings, the practitioner should (Ref: par. .A35)</p> <ul style="list-style-type: none"> <li>a. not use vague or ambiguous language. (Ref: par. .A32)</li> <li>b. not include terms of uncertain meaning. (Ref: par. .A33)</li> <li>c. not express an opinion or conclusion about whether the subject matter is in accordance with (or based on) the criteria. (Ref: par. .A34)</li> </ul>	<p><b>.A32</b> To avoid vague or ambiguous language, the findings are described at a level of specificity sufficient for a user to understand the nature, timing, and extent of the procedures and findings.</p> <p><b>.A33</b> If, in the practitioner’s judgment, certain terms are potentially uncertain in meaning, the practitioner may consider whether a glossary is appropriate in the circumstances.</p> <p><b>.A34</b> An example of language that should not be used in reporting findings is as follows: “Nothing came to our attention that caused us to believe that the subject matter is not in accordance with (or based on) the criteria, in all material respects.”</p> <p><b>.A35</b> The following table provides examples of appropriate and inappropriate descriptions of findings resulting from the application of certain procedures.</p>		
	<b>Appropriate Procedures</b>	<b>Description of Findings</b>	<b>Inappropriate Description of Findings</b>
	Inspect the shipment dates for a sample (agreed upon) of specified shipping documents and determine whether any such dates were subsequent to [date].	No shipment dates shown on the sample of shipping documents were subsequent to [date].	Nothing came to my attention as a result of applying that procedure.
	Recalculate the number of blocks of streets paved during the year ended [date], shown on	The number of blocks of streets paved in the chart of performance statistics was Y	The number of blocks of streets paved approximated the number of blocks included in the chart

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>		
	contractors' certificates of project completion; compare the resultant number to the number in an identified chart of performance statistics as of <i>[date]</i> .	blocks more than the number calculated from the contractors' certificates of project completion.	of performance statistics.
	Recalculate the rate of return on a specified investment (according to an agreed-upon formula) and determine whether the resultant percentage agrees to the percentage in an identified schedule.	No exceptions were found as a result of applying the procedure.	The resultant percentage approximated the predetermined percentage in the identified schedule.
	Inspect the quality standards classification codes in identified performance test documents for products produced during <i>[specified period]</i> ; compare such codes to those shown in the <i>[identified]</i>	All classification codes inspected in the identified documents were the same as those shown in the computer printout, except for the following: <i>[List all exceptions.]</i>	All classification codes appeared to comply with such performance documents.

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material		
	computer printout for <i>[specified period]</i> as of <i>[date]</i> .		
	Trace all outstanding checks appearing on a bank reconciliation as of <i>[date]</i> to checks cleared in the bank statement of the subsequent month. 12.	All outstanding checks appearing on the bank reconciliation were traced to the list of cleared checks in the subsequent month's bank statement, except for the following: <i>[List all exceptions.]</i>	Nothing came to my attention as a result of applying the procedure.
	Compare the amounts of the invoices included in the "over 90 days" column shown in an identified schedule of aged accounts receivable of a specific customer as of <i>[date]</i> to the amount and invoice date shown on the corresponding outstanding invoice. Determine whether the dates on the corresponding outstanding invoices precede the date	All outstanding invoice amounts agreed with the amounts shown on the schedule in the "over 90 days" column, and the dates shown on such outstanding invoices preceded the date indicated on the schedule by more than 90 days.	The outstanding invoice amounts agreed within approximation of the amounts shown on the schedule in the "over 90 days" column, and nothing came to our attention that the dates shown on such outstanding invoices preceded the date indicated on the schedule by more than 90 days.

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>		
	indicated on the schedule by more than 90 days.		
	Obtain from XYZ Company [personnel specified by management], the [date] bank reconciliations. Confirm with the bank the cash on deposit as of [date]. Compare the balance confirmed by the bank to the amount shown on the bank reconciliations.	Obtained from XYZ Company [personnel specified by management], the [date] bank reconciliations. Obtained bank confirmations of the cash on deposit as of [date]. Compared the balance confirmed by the bank to the amount shown on the bank reconciliations. [List all exceptions.]	No exceptions were identified in the confirmations received, and nothing came to our attention as a result of applying the procedures.
<b>Written Representations</b>	<b>Written Representations (Ref: par. .25)</b>		
.25 The practitioner should request from the appropriate party written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. .A30 and .A36)  <ul style="list-style-type: none"> <li>a. If not obtained as part of the agreed-upon terms of the engagement as required by paragraph .13d, state that the responsible party is responsible for the subject matter in accordance with (or based on) the criteria.</li> <li>b. State that the appropriate party has provided the practitioner with all relevant information and access, as applicable, as agreed upon in the terms of the engagement.</li> </ul>	.A36 Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the engaging 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 engaging party, which may vary by entity, reflecting influences such as size and ownership characteristics.		

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>c. State that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies or others affecting the subject matter or assertion have been disclosed to the practitioner, including communications received between the end of the period addressed by the subject matter and the date of the practitioner's report.</p> <p>d. Include any additional representations that the practitioner determines are appropriate. (Ref: par. .A37)</p>	<p><b>.A37</b> Additional representations that the practitioner may determine are appropriate may include the appropriate party acknowledging its responsibility for</p> <p style="margin-left: 40px;">a. selecting the criteria, when applicable, and</p> <p style="margin-left: 40px;">b. determining that such criteria are appropriate for the responsible party's purposes.</p>
<p><b>.26</b> When the engaging party is not the responsible party, the practitioner should request written representations from both the responsible party and the engaging party, as applicable. (Ref: par. .A38)</p>	<p><b>.A38</b> When the engaging party is not the responsible party, an example of a written representation the practitioner may request from the engaging party is an acknowledgment that the responsible party is responsible for the subject matter.</p>
<p><b>.27</b> The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's findings.</p>	
<p><b>Requested Written Representations Not Provided or Not Reliable</b></p>	<p><b>Requested Written Representations Not Provided or Not Reliable (Ref: par. .28c)</b></p>
<p><b>.28</b> When one or more of the requested written representations required by paragraph .24 are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that</p>	<p><b>.A39</b> Circumstances in which the practitioner may be unable to obtain requested written representations include, for example, when</p> <ul style="list-style-type: none"> <li>• the engaging party does not have a relationship with the responsible party and</li> </ul>

<b>Proposed AT-C Section 215, Agreed-Upon Procedures Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>the written representations are otherwise not reliable, the practitioner should do the following: (Ref: par. .A39–.A40)</p> <ul style="list-style-type: none"> <li>a. Discuss the matter with the appropriate party</li> <li>b. Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general.</li>   <li>c. If any of the matters are not resolved to the practitioner’s satisfaction, take appropriate action, including determining the possible effect on the practitioner’s agreed-upon procedures report. (Ref: par. .A41)</li> </ul>	<ul style="list-style-type: none"> <li>• the agreed-upon procedures engagement is undertaken against the wishes of the responsible party, for example when required by law or regulation.</li> </ul> <p>In these or similar circumstances, the practitioner may need to reconsider whether the responsible party is able to take responsibility for the subject matter.</p> <p><b>.A40</b> In some circumstances (for example, when the engaging party is not the responsible party), when one or more of the requested written representations are not provided by the responsible party, the practitioner may determine, after performing the procedures in paragraph .28a–b, that an oral representation may provide a portion of the evidence needed with respect to the matter addressed by the representation.</p> <p><b>.A41</b> Although it is expected that the practitioner will be able to obtain all the requested written representations from the engaging party, appropriate actions the practitioner might consider in the circumstances described in paragraph .28c include the following:</p> <ul style="list-style-type: none"> <li>a. Determining the effect on the practitioner’s report, including whether to restrict the use of the practitioner’s report or whether to disclose in the practitioner’s report that the engaging party or the responsible party did not provide one or more of the requested written representations</li> <li>b. Withdrawing from the engagement</li> </ul>
<b>Preparing the Practitioner’s Report</b>	<b>Preparing the Practitioner’s Report (Ref: par. .23, .29, and .31)</b>
<b>.29</b> The practitioner’s report should be in writing. (Ref: par. .A42)	<b>.A42</b> This section does not require a standardized format for reporting on all agreed-upon procedures engagements. Instead, it identifies the

<b>Proposed AT-C Section 215, Agreed-Upon Procedures Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	basic elements that the report is to include. The report is tailored to the specific engagement circumstances. The practitioner may use headings, separate paragraphs, paragraph numbers, typographical devices (for example, boldface text), and other mechanisms to enhance the clarity and readability of the report.
<b>.30</b> The practitioner’s report should be in the form of procedures and findings.	
<b>.31</b> If, as a result of performing procedures, the practitioner determines that the description of the procedures performed or the corresponding findings, in the practitioner’s professional judgment, are misleading in the circumstances of the engagement, the practitioner should discuss the matter with the engaging party and take appropriate action. (Ref: par. .A43–.A44)	<p><b>.A43</b> Findings may be misleading, for example, if the responsible party revises the subject matter as a result of initial findings from procedures performed, and the findings to be expressed in the report do not indicate that the subject matter was changed. In such instances, the findings may indicate that the subject matter was revised as a result of initial findings from the procedures performed and that there are no findings with respect to the revised subject matter.</p> <p><b>.A44</b> Appropriate actions that the practitioner might consider in the circumstances described in paragraph .31 include</p> <ul style="list-style-type: none"> <li>a. performing revised procedures,</li> <li>b. rewording a procedure or a finding, or</li> <li>c. withdrawing from the engagement.</li> </ul>
<b>Content of the Practitioner’s Agreed-Upon Procedures Report</b>	<b>Content of the Practitioner’s Agreed-Upon Procedures Report</b>
<b>.32</b> The practitioner’s agreed-upon procedures report should include the following: <ul style="list-style-type: none"> <li>a. A title that clearly indicates that the report is an agreed-upon procedures report and that includes the word <i>independent</i>. (Ref: par. .A45)</li> </ul>	<p><b>Title (Ref: par. .32a)</b></p> <p><b>.A45</b> A title indicating that the practitioner’s report is an agreed-upon procedures report and is of an independent practitioner (for example, “Independent Practitioner’s Agreed-Upon Procedures Report,” “Agreed-Upon Procedures Report of Independent Certified Public Accountant,” “Independent Accountant’s Agreed-Upon Procedures Report”) makes clear that the report is not an examination or a limited</p>

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>b.</i> An appropriate addressee as required by the circumstances of the engagement.</p> <p><i>c.</i> Identification of</p> <p style="margin-left: 20px;"><i>i.</i> the subject matter to which the procedures have been applied, (Ref: par. .A46)</p> <p style="margin-left: 20px;"><i>ii.</i> the engaging party, and</p> <p style="margin-left: 20px;"><i>iii.</i> the intended purpose of the engagement in sufficient detail to enable the reader to understand the nature of the work performed. (Ref: par. .A47)</p>	<p>assurance attestation report and 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. The practitioner may use an appropriate descriptive term such as <i>agreed-upon</i>, <i>specified</i>, or <i>selected</i> in describing the nature of the procedures performed.</p> <p><b><i>Identification of the Subject Matter to Which the Procedures Have Been Applied (Ref: par. .32ci)</i></b></p> <p><b>.A46</b> A practitioner may be asked to apply procedures to more than one subject matter. In these engagements, the practitioner may issue one practitioner’s report that refers to all subject matter covered. AT-C section 315 contains an example of language that may be used in the introductory paragraph to address such circumstances.<sup>4</sup></p> <p><b><i>Description of the Intended Purpose of the Agreed-Upon Procedures Engagement (Ref: par. 32ciii)</i></b></p> <p><b>.A47</b> Because the practitioner is precluded from expressing an opinion or conclusion, it would not be appropriate to state that the intended purpose of the engagement was to determine whether the subject matter was prepared or is stated in accordance with specified criteria or that the practitioner performed the engagement to conclude whether the entity complied with specified criteria.</p> <p><b><i>Limitations on Items of Interest and Needs of Users (Ref: par. .32d)</i></b></p> <p><b>.A48</b> The practitioner may advise potential users regarding inappropriate uses of the practitioner’s agreed-upon procedures</p>

<sup>4</sup> Paragraph .A32 of AT-C section 315, *Compliance Attestation*.

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>d.</i> A statement that the agreed-upon procedures report may not be suitable for any other purpose. (Ref: par. .A48)</p> <p><i>e.</i> A description of the agreed-upon procedures engagement stating the following:</p> <p style="margin-left: 20px;"><i>i.</i> An agreed-upon procedures engagement involves the practitioner performing the procedures that the engaging party has acknowledged to be appropriate for the purpose of the engagement and reporting on findings based on the procedures performed. (Ref: par. .A49)</p> <p style="margin-left: 20px;"><i>ii.</i> The engaging party has acknowledged that the procedures performed were appropriate for the intended purpose of the engagement. (Ref: par. .A50–.A51)</p> <p><i>f.</i> A list of the procedures performed (or reference thereto) detailing the nature and extent of each procedure.</p> <p><i>g.</i> A description of the findings from each procedure performed, including sufficient details on exceptions found.</p> <p><i>h.</i> When applicable, a description of any specified materiality limits.</p> <p><i>i.</i> A statement that</p>	<p>report. For example, the practitioner may advise that the report is not intended for making investment decisions or for use by potential lenders or investors.</p> <p><b><i>Description of the Agreed-Upon Procedures Engagement (Ref: par. .32e)</i></b>  <b>.A49</b> If the nature of the engagement is such that either the engaging party or other parties accept responsibility for the sufficiency of the procedures, the report may identify those parties and include a statement that the sufficiency of the procedures is solely the responsibility of such parties and that the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the practitioner’s report has been requested or for any other purpose.</p> <p><b><i>Acknowledgment of the Appropriateness of the Procedures (Ref: par. .32e)</i></b>  <b>.A50</b> If applicable, the practitioner may disclose that parties in addition to the engaging party have acknowledged that the procedures performed were appropriate for their intended purposes.</p> <p><b>.A51</b> The practitioner is neither required to make, nor is precluded from making, an explicit statement that the practitioner makes no representation regarding the appropriateness of the procedures either for the purpose for which the practitioner’s report has been requested or for any other purpose.</p>

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>i. the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.</p> <p>ii. the practitioner was not engaged to and did not conduct an examination or limited assurance attestation engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the subject matter. (Ref: par. .A52)</p> <p>iii. the practitioner does not express such an opinion or conclusion.</p> <p>iv. had the practitioner performed additional procedures, other matters might have come to the practitioner’s attention that would have been reported.</p> <p>j. A statement that the practitioner is independent and has fulfilled the practitioner’s other ethical responsibilities in accordance with relevant ethical requirements relating to the agreed-upon procedures engagement. (Ref: par. .A53–.A54)</p> <p>k. A description of the nature of the assistance provided by a practitioner’s external specialist, as discussed in paragraphs .17–.18, if applicable.</p>	<p><b><i>Statement When the Subject Matter Consists of Elements, Accounts, or Items of a Financial Statement (Ref: par. .32iii)</i></b></p> <p><b>.A52</b> If the subject matter consists of elements, accounts, or items of a financial statement, the practitioner’s report might, instead, state that the procedures do not constitute an audit (or a review) of financial statements or any part thereof, the objective of which is the expression of an opinion (or conclusion) on the financial statements or a part thereof.</p> <p><b><i>Relevant Ethical Requirements (Ref: par. .32j)</i></b></p> <p><b>.A53</b> 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).</p> <p><b>.A54</b> 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 <i>Government Auditing Standards</i> promulgated by the Comptroller General of the United States) or refer to a term that appropriately describes those sources.</p> <p><b><i>Limitations on Procedures or Findings (Ref: par. .32i)</i></b></p> <p><b>.A55</b> Examples of limitations on procedures or findings may include the following:</p>

<b>Proposed AT-C Section 215, Agreed-Upon Procedures Engagements</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>l.</i> When applicable, limitations on procedures or findings. (Ref: par. .A55)</p> <p><i>m.</i> The manual or printed signature of the practitioner’s firm.</p> <p><i>n.</i> The city and state where the practitioner practices. (Ref: par. .A56)</p> <p><i>o.</i> The date of the report. The report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that</p> <ul style="list-style-type: none"> <li><i>i.</i> the attestation documentation has been reviewed, and</li> <li><i>ii.</i> if applicable, the written presentation of the subject matter has been prepared.</li> </ul>	<ul style="list-style-type: none"> <li>• Disclosure of stipulated facts, assumptions, or interpretations (including the source thereof) used in the application of procedures</li> <li>• Description of the condition of records, controls, or data to which the procedures were applied</li> <li>• Explanation that the practitioner has no responsibility to update the practitioner’s report</li> <li>• Explanation that the sample may not be representative of the population</li> </ul> <p><b>Location (Ref: par. .32n)</b></p> <p><b>.A56</b> 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. The city and state where the practitioner practices may be indicated on letterhead that contains the issuing office’s location.</p>
<p><b>Alert That Restricts the Use of the Practitioner’s Agreed-Upon Procedures Report</b></p>	<p><b>Alert That Restricts the Use of the Practitioner’s Agreed-Upon Procedures Report (Ref: par. .33–.34)</b></p>
<p><b>.33</b> In the following circumstances, the practitioner’s agreed-upon procedures report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .A57–.A59)</p>	<p><b>.A57</b> A practitioner's report for which the conditions in paragraph .33 do not apply need not include an alert that restricts its use. However,</p>

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>a.</i> The engaging party or other party prescribes the procedures for the practitioner to perform and precludes the practitioner from performing or designing additional procedures.</p> <p><i>b.</i> The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.</p> <p><i>c.</i> The criteria used to evaluate the subject matter are available only to the specified parties.</p>	<p>nothing precludes a practitioner from including such an alert in any practitioner's report or other practitioner's written communication.</p> <p><b>.A58</b> A practitioner's report that is required by paragraph .33 to include an alert that restricts the use of the report may be included in a document that also contains a practitioner's report that is for general use. In such circumstances, the use of the general use report is not affected.</p> <p><b>.A59</b> A practitioner may also issue a single combined practitioner's report that includes <i>(a)</i> a practitioner's report that is required by paragraph .33 to include an alert that restricts its use and <i>(b)</i> a report that is for general use. If these two types of reports are clearly differentiated within the combined report, such as through the use of appropriate headings, the alert that restricts the use of the report may be limited to the report required by paragraph .33 to include such an alert. In such circumstances, the use of the general use report is not affected.</p>

**.34** The alert should do the following:

- a. State that the practitioner's report is intended solely for the information and use of the specified parties.
- b. Identify the specified parties for whom use is intended. (Ref: par. .A60–.A61)
  
- c. State that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A62–.A64)

**.A60** The practitioner may identify the specified parties by naming them, referring to a list of those parties, or identifying the class of parties, for example, "all customers of XYZ Company during some or all of the period January 1, 20XX, to December 31, 20XX." The method of identifying the specified parties is determined by the practitioner.

**.A61** Subsequent to the completion of the engagement, the practitioner may be requested by the engaging party to consider the addition of another party as a specified party. The practitioner may agree to add another party as a specified party, based on consideration of such factors as the identity of that party and the intended use of the practitioner's report. If the additional party is added after the practitioner has issued the report, the report may be reissued, or the practitioner may provide other written acknowledgment that the additional party has been added as a specified party.

**.A62** In some cases, the criteria used to measure or evaluate the subject matter may be designed for a specific purpose. For example, a regulator may require certain entities to use particular criteria designed for regulatory purposes. To avoid misunderstandings, the practitioner is required to alert users of the practitioner's report to this fact and, therefore, that the report is intended solely for the information and use of the specified parties.

**.A63** The alert that restricts the use of the practitioner's report is designed to avoid misunderstandings related to the use of the report, particularly if the report is taken out of the context in which the report is intended to be used. A practitioner may consider informing the engaging party or other specified parties that the report is not intended for distribution to parties other than those specified in the report. The practitioner may, in connection with establishing the terms of the engagement, reach an understanding with the engaging party (and possibly with the specified parties) that the intended use of the report will be restricted and may obtain the engaging party's agreement that

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>the engaging party and specified parties will not distribute such report to parties other than those identified therein. A practitioner cannot control, and is not responsible for controlling, distribution of the report after its release.</p> <p><b>.A64</b> In some cases, a restricted-use practitioner's report filed with regulatory agencies is required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency, as part of its oversight responsibility for an entity, may require access to a restricted-use report in which it is not named as a specified party.</p>
<b>Restrictions on the Performance of Procedures</b>	
<p><b>.35</b> When circumstances impose restrictions on the performance of the procedures, the practitioner should discuss with the engaging party whether those restrictions are appropriate and, if the restrictions are appropriate, describe the restrictions in the practitioner's report.</p>	
<b>Knowledge of Matters Outside Procedures</b>	<b>Knowledge of Matters Outside Procedures (Ref: par. .36)</b>
<p><b>.36</b> Although the practitioner need not perform procedures beyond the procedures acknowledged by the engaging party to be appropriate for the intended purpose of the engagement, if in connection with the application of the procedures, and through the completion of the engagement, matters come to the practitioner's attention by other means that significantly contradict the subject matter referred to in the practitioner's report, the practitioner should discuss the matter with the engaging party and take appropriate action, including determining whether the practitioner's report should be revised to disclose the matter. (Ref: par. .A65–.A66)</p>	<p><b>.A65</b> For example, if, during the course of applying procedures regarding an entity's internal control, the practitioner becomes aware of a material weakness by means other than performance of the procedures, this matter may be included in the practitioner's report.</p>
	<p><b>.A66</b> When the practitioner applies procedures to an element, account, or item of a financial statement and has performed an audit or review of the entity's related financial statements, and the</p>

<b>Proposed AT-C Section 215, <i>Agreed-Upon Procedures Engagements</i></b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	practitioner’s audit or review report on such financial statements includes a departure from the standard report, the practitioner may include a reference to the audit or review report and the departure from the standard report in the practitioner’s agreed-upon procedures report.
<b>Communication Responsibilities</b>	
<b>.37</b> The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations. When the engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party.	
<b>Documentation</b>	<b>Documentation (Ref: par. .38)</b>
<b>.38</b> The practitioner should prepare engagement documentation on a timely basis that includes the following: (Ref: par. .A67–.A68) <ul style="list-style-type: none"> <li>a. The written acknowledgment from the engaging party regarding the appropriateness of the procedures performed for the intended purpose of the engagement, as required by paragraph .20</li> <li>b. The nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including the following: <ul style="list-style-type: none"> <li>i. The identifying characteristics of the specific items or matters tested</li> <li>ii. Who performed the engagement work and the date such work was completed</li> <li>iii. When the engaging party will not provide one or more of the requested written representations or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the matters in paragraph .28a–c</li> </ul> </li> </ul>	<b>.A67</b> 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.  <b>.A68</b> The practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

**Proposed AT-C Section 215, *Agreed-Upon Procedures Engagements***

**Introduction, Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

- iv. Who reviewed the engagement work performed and the date and extent of such review
- d. The results of the procedures performed and the evidence obtained

.A69

### **Exhibit—Illustrative Practitioner’s Agreed-Upon Procedures Reports**

The illustrative practitioner’s agreed-upon procedures reports in this exhibit meet the applicable reporting requirements in paragraphs .29–.32. A practitioner may use alternative language in drafting an agreed-upon procedures report, provided that the language meets the applicable requirements in paragraphs .29–.32.

#### **Example 1: Practitioner’s Agreed-Upon Procedures Report Related to a Statement of Investment Performance Statistics; the Practitioner Has the Ability to Perform or Design Additional Procedures**

##### **Independent Accountant’s Report on Applying Agreed-Upon Procedures**

*[Appropriate Addressee]*

We have performed the procedures enumerated below on *[identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. *[The engaging party, for example, XYZ Fund]* acknowledged that the procedures performed are appropriate for the purpose of *[identify the intended purpose of the engagement]*. Our report may not be suitable for any other purpose.

An agreed-upon procedures engagement involves our performing the procedures that *[the engaging party, for example, XYZ Fund]* has acknowledged to be appropriate for the purpose of *[identify the intended purpose of the engagement]* and reporting on findings based on the procedures performed.

*[Include paragraphs to enumerate procedures and findings.]*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or limited assurance attestation engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on *[identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the agreed-upon procedures engagement.

*[Additional paragraph(s) may be added to describe other matters.]*

*[Practitioner’s signature]*

*[Practitioner’s city and state]*

*[Date of practitioner's report]*

**Example 2: Practitioner's Agreed-Upon Procedures Report Related to a Statement of Investment Performance Statistics; the Procedures Are Prescribed in a Regulation and the Practitioner Does Not Have the Ability to Perform or Design Additional Procedures  
Independent Accountant's Report on Applying Agreed-Upon Procedures**

*[Appropriate Addressee]*

We have performed the procedures enumerated below on the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1. *[The engaging party]* acknowledged that the procedures performed are appropriate for *[identify the intended purpose of the engagement]*. Our report may not be suitable for any other purpose.

An agreed-upon procedures engagement involves our performing the procedures that *[the engaging party]* has acknowledged to be appropriate for the purpose of *[identify the intended purpose of the engagement]* and reporting on findings based on the procedures performed. *[Include paragraphs to enumerate procedures and findings.]*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or limited assurance attestation engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the agreed-upon procedures engagement.

*[Additional paragraph(s) may be added to describe other matters.]*

This report is intended solely for the information and use of *[the regulatory body and the engaging party]* and is not intended to be, and should not be, used by anyone other than the specified parties.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

**Example 3: Practitioner's Agreed-Upon Procedures Report When the Engagement Is Required by Contract and the Engaging Party and the Other Parties to the Contract Agree to the Sufficiency of the Procedures for the Intended Purpose of the Engagement and the Practitioner Does Not Have the Ability to Perform or Design Additional Procedures**

## Independent Accountant's Report on Applying Agreed-Upon Procedures

*[Appropriate Addressee]*

We have performed the procedures enumerated below on *[identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. *[The engaging party, for example, XYZ Fund]* acknowledged that the procedures performed are appropriate for the purpose of *[identify the intended purpose of the engagement]*. Our report may not be suitable for any other purpose.

In addition to the engaging party *[identify the other parties that have agreed to the sufficiency of the procedures]* have agreed that the procedures performed are sufficient for their purposes. The sufficiency of the procedures is solely the responsibility of *[the engaging party]* and those other parties, and we make no representation regarding the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose.

An agreed-upon procedures engagement involves our performing the procedures that *[the engaging party, for example, XYZ Fund]* has acknowledged to be appropriate for the purpose of *[identify the intended purpose of the engagement]* and reporting on findings based on the procedures performed.

*[Include paragraphs to enumerate procedures and findings.]*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or limited assurance attestation engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on *[identify the subject matter, for example, the accompanying Statement of Investment Performance Statistics of XYZ Fund for the year ended December 31, 20X1]*. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the agreed-upon procedures engagement.

*[Additional paragraph(s) may be added to describe other matters.]*

This report is intended solely for the information and use of *[identify the specified party(ies), for example, the engaging party and the other parties that have assumed responsibility for the sufficiency of the procedures]*, and is not intended to be, and should not be, used by anyone other than the specified parties.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

## Exhibit A: Conforming Changes to Subject Matter AT-C Sections

In the following table, underlined text is new; deleted text is in ~~strikethrough~~.

<b>AT-C Section 305, <i>Prospective Financial Information</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Introduction</b>	
<b>.01</b> This section contains performance and reporting requirements and application guidance for a practitioner examining or performing agreed-upon procedures on prospective financial information.	
<b>.02</b> Prospective financial information can take the form of prospective financial statements or partial presentations.	
<b>.03</b> The AICPA Guide <i>Prospective Financial Information</i> (guide) provides comprehensive guidance regarding prospective financial information. Chapter 6, “Preparation Guidelines,” chapter 7, “Reasonably Objective Basis,” chapter 8, “Presentation Guidelines,” and chapter 9, “Illustrative Prospective Financial Statements,” of the guide establish the preparation and presentation guidelines for financial forecasts and financial projections. The guide also includes information about the types and uses of prospective financial information and interpretive guidance for applying this section.	
<b>.04</b> In addition to complying with this section, a practitioner is required to comply with section 105, <i>Concepts Common to All Attestation Engagements</i> ,* and either section 205, <i>Examination Engagements</i> , for examinations of prospective financial information, or section 215, <i>Agreed- Upon Procedures Engagements</i> , for agreed-upon procedures engagements that address prospective financial information. In some cases, this section repeats or refers to requirements found in sections 105, 205, and 215 when describing those requirements in the context of	

\* All AT-C sections can be found in AICPA *Professional Standards*.

<b>AT-C Section 305, Prospective Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>engagements that address prospective financial information. Although not all the requirements in sections 105, 205, and 215 are repeated or referred to in this section, the practitioner is responsible for complying with all the requirements in sections 105 and 205, or 105 and 215, as applicable.</p>	
<p><b>.05</b> Section 210, <i>Limited Assurance Review Engagements</i>, prohibits a practitioner from performing a <u>limited assurance engagement on review of</u> prospective financial information.<sup>1</sup></p>	
<p><b>Effective Date</b></p>	
<p><b>.06</b> This section is effective for practitioners' examination and agreed-upon procedures reports on prospective financial information dated on or after <u>May 1, 2020</u><del>17</del>.</p>	
<p><b>Objectives of an Examination Engagement</b></p>	<p><b>Objectives of an Examination Engagement (Ref: par. .07a)</b></p>
<p><b>.07</b> In conducting an examination of prospective financial information, the objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. obtain reasonable assurance about whether, in all material respects, <ul style="list-style-type: none"> <li>i. the prospective financial information is presented in accordance with the guidelines for the presentation of prospective financial information established by the AICPA (AICPA presentation guidelines) (Ref: par. .A1) and</li> <li>ii. the assumptions underlying the forecast are suitably supported and provide a reasonable basis for the responsible party's forecast, or the assumptions underlying the projection are suitably supported and provide a reasonable basis for the responsible party's projection, given the hypothetical assumptions. (Ref: par. .A2)</li> </ul> </li> </ul>	<p><b>.A1</b> The practitioner's objective in an examination of prospective financial information is to obtain sufficient appropriate evidence to reduce attestation risk to a level that is, in the practitioner's professional judgment, acceptably low to express an opinion about whether the prospective financial information is presented in accordance with AICPA presentation guidelines and the assumptions are suitably supported and provide either a reasonable basis for the responsible party's forecast or a reasonable basis for the responsible party's projection, given the hypothetical assumptions. The practitioner's opinion does not address whether the prospective results can be achieved because events and circumstances frequently do not occur as expected, and achievement of the prospective results is dependent on the actions, plans, and assumptions of the responsible party.</p> <p><b>.A2</b> The concept of <i>suitably supported</i> is discussed in paragraphs <del>22-23</del> and <del>A17- A19- A18- A20</del>.</p>

<sup>1</sup> Paragraph .07 of section 210, *Limited Assurance Review Engagements*.

<b>AT-C Section 305, <i>Prospective Financial Information</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>b.</i> express an opinion in a written report on the matters in paragraph .07a</p>	
<p><b>Objectives of an Agreed-Upon Procedures Engagement</b></p> <p><b>.08</b> In conducting an agreed-upon procedures engagement for which the subject matter is prospective financial information, the objectives of the practitioner are to</p> <p><i>a.</i> apply <u>specific procedures</u> to the prospective financial information <del>procedures that are established by specified parties who are responsible for the sufficiency of the procedures for their purposes</del> and</p> <p><i>b.</i> issue a written report that describes the procedures applied and the practitioner’s findings <u>without providing an opinion or conclusion on the subject matter.</u></p>	
<p><b>Definitions</b></p> <p><b>.09</b> For purposes of this section, the following terms have the meanings attributed as follows:<sup>2</sup></p> <p><b>Entity.</b> Any unit, existing or to be formed, for which financial statements could be prepared in accordance with generally accepted accounting principles or special purpose frameworks. For example, an entity can be an individual, partnership, corporation, trust, estate, association, or governmental unit. (Ref: par. .A3)</p> <p><b>Financial forecast.</b> Prospective financial statements that present, to the best of the responsible party’s knowledge and belief, an entity’s expected financial position, results of operations, and cash flows. A financial forecast is based on the responsible party’s assumptions reflecting conditions it expects to exist and the course of action it expects to take. A</p>	<p><b>Definitions</b></p> <p><b>Entity (Ref: par. .09)</b></p> <p><b>.A3</b> The term <i>entity</i> is used elsewhere in the attestation standards. However, the definition of the term <i>entity</i> in paragraph .09 is applicable only to this section.</p> <p><b>Financial Forecast (Ref: par. .09–.10)</b></p> <p><b>.A4</b> As indicated in chapter 4, “Types of Prospective Financial Information and Their Uses,” of the guide, prospective financial statements are for either general use or limited use. <i>General use of prospective financial statements</i> refers to the use of the statements by persons with whom the responsible party is not negotiating directly—</p>

<sup>2</sup> All definitions in this section, with the exception of the term *presentation guidelines*, are taken from chapter 2 “Definitions,” of the AICPA guide *Prospective Financial Information*

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

financial forecast may be expressed in specific monetary amounts as a single-point estimate of forecasted results or as a range, when the responsible party selects key assumptions to form a range within which it reasonably expects, to the best of its knowledge and belief, the item or items subject to the assumptions to actually fall. If a forecast contains a range, the range is not selected in a biased or misleading manner (for example, a range in which one end is significantly less expected than the other). (Ref: par. .A4)

**Financial projection.** Prospective financial statements that present, to the best of the responsible party’s knowledge and belief, given one or more hypothetical assumptions, an entity’s expected financial position, results of operations, and cash flows. A financial projection is sometimes prepared to present one or more hypothetical courses of action for evaluation, as in response to a question such as, “What would happen if...?” A financial projection is based on the responsible party’s assumptions reflecting conditions it expects would exist and the course of action it expects would be taken, given one or more hypothetical assumptions. A projection, like a forecast, may contain a range. (Ref: par. .A5–.A6)

**Guide.** The AICPA Guide *Prospective Financial Information*.

**Application and Other Explanatory Material**

for example, in an offering statement of an entity’s debt or equity interests. Because recipients of prospective financial statements distributed for general use are unable to ask the responsible party directly about the presentation, the presentation most useful to them is one that portrays, to the best of the responsible party’s knowledge and belief, the expected results. Thus, only a financial forecast is appropriate for general use.

***Financial Projection (Ref: par. .09–.10)***

**.A5** *Limited use of prospective financial statements* refers to the use of prospective financial statements by the responsible party alone or by the responsible party and third parties with whom the responsible party is negotiating directly. Examples include use in negotiations for a bank loan, submission to a regulatory agency, and use solely within the entity. Third-party recipients of prospective financial statements intended for limited use can ask questions of the responsible party and negotiate terms directly with it. Any type of prospective financial statements that would be useful in the circumstances would normally be appropriate for limited use. Thus, the presentation may be a financial forecast or a financial projection.

**.A6** Generally, as the number or significance of the hypothetical assumptions increases, the less likely that it is appropriate for the responsible party to present a financial projection.

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

**Hypothetical assumption.** An assumption used in a financial projection or in a partial presentation of projected information to present a condition or course of action that is not necessarily expected to occur, but is consistent with the purpose of the projection.

**Key factors.** The significant matters on which an entity’s future results are expected to depend. Such factors are basic to the entity’s operations and, thus, encompass matters that affect, among other things, the entity’s sales, production, service, and financing activities. Key factors serve as a foundation for prospective financial information and are the bases for the assumptions.

**Partial presentation.** A presentation of prospective financial information that excludes one or more of the applicable items required for prospective financial statements as described in chapter 8 of the guide. (Ref: par. .A7)

**Presentation guidelines.** The criteria for the presentation and disclosure of prospective financial information. (Ref: par. .A8)

**Application and Other Explanatory Material**

***Partial Presentation (Ref: par. .09)***

**.A7** Paragraphs 8.61–8.72 ~~Chapter 23, “Partial Presentations of Prospective Financial Information,”~~ of the guide establishes a limitation on the use of partial presentations. Paragraph 8.59 ~~Chapter 23~~ of the guide states, in part,

partial presentations are not ordinarily appropriate for general use. Accordingly, a partial presentation ordinarily should not be distributed to third parties who will not be *negotiating directly* with the responsible party (for example, in an offering document for an entity's debt or equity interests). In this context, negotiating directly is defined as a third-party user's ability to ask questions of, and negotiate the terms or structure of a transaction directly with, the responsible party.

***Presentation Guidelines (Ref: par. .09)***

**.A8** Chapter 8 of the guide contains the guidelines for the presentation and disclosure of prospective financial information.

***Prospective Financial Statements (Ref: par. .09)***

<b>AT-C Section 305, <i>Prospective Financial Information</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Prospective financial information.</b> Any financial information about the future. The information may be presented as complete financial statements or limited to one or more elements, items, or accounts.</p> <p><b>Prospective financial statements.</b> Either financial forecasts or financial projections, including the summaries of significant assumptions and accounting policies. Although prospective financial statements may cover a period that has partially expired, statements for periods that have completely expired are not considered to be prospective financial statements. Pro forma financial statements and partial presentations are not considered to be prospective financial statements. (Ref: par. .A9–.A10)</p>	<p><b>.A9</b> Prospective financial statements may take the form of complete financial statements or may be summarized or condensed, as described in chapter 8 of the guide. Presentations that exclude one or more relevant elements described in that section are defined as <i>partial presentations</i>. For the purposes of this section, the term <i>forecast</i> used alone means forecasted information, which can be either a full presentation (a financial forecast) or a partial presentation. The term <i>projection</i> can refer to either a financial projection or a partial presentation of projected information.</p> <p><b>.A10</b> The objective of pro forma financial information is to show what the significant effects on the historical financial statements might have been had a consummated or proposed transaction or event occurred at an earlier date. Although the transaction in question might be prospective, this section does not apply to such presentations because they are essentially historical financial statements and do not purport to be prospective financial statements. See section 310, <i>Reporting on Pro Forma Financial Information</i>.</p>
<b>Requirements</b>	
<b>Preconditions for an Examination Engagement</b>	<b>Preconditions for an Examination Engagement (Ref: par. .10)</b>
<p><b>.10</b> Because a financial projection is not appropriate for general use, a practitioner should not agree to the use of the practitioner’s name in conjunction with a financial projection that the practitioner believes will be distributed to those who will not be negotiating directly with the responsible party. (Ref: par. .A4–.A5 and .A11)</p>	<p><b>.A11</b> Paragraph .10 indicates that it is not appropriate for a practitioner to agree to the use of the practitioner’s name in conjunction with a financial projection that the practitioner believes will be distributed to those who will not be negotiating directly with the responsible party. An example of such a situation is the inclusion of a financial projection in an offering statement of an entity’s debt or equity interests, unless the projection is used to supplement a financial forecast for the period covered by the forecast (that is, the financial projection would be presented in the same document as the financial forecast and the period covered by the projection would not begin before, or extend beyond, the period covered by the forecast).</p>

<b>AT-C Section 305, <i>Prospective Financial Information</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.11</b> Unless required by law or regulation to do so, a practitioner should not accept an engagement to examine</p> <ul style="list-style-type: none"> <li><i>a.</i> a forecast or projection, unless the responsible party has agreed to disclose the significant assumptions</li> <li><i>b.</i> a financial projection, unless the responsible party has agreed to identify in the presentation which of the assumptions are hypothetical and to describe the limitations on the usefulness of the projection.</li> <li><i>c.</i> a partial presentation that does not describe the limitations on the usefulness of the presentation.</li> </ul>	
<p><b>.12</b> A practitioner should not examine a forecast or projection that discloses none of the significant assumptions. If after accepting the engagement the practitioner determines that the forecast or projection discloses none of the significant assumptions, the practitioner should withdraw from the engagement, unless required by law or regulation to report on the financial forecast or projection, in which case, the practitioner should express an adverse opinion in the practitioner’s report.</p>	
<p><b>.13</b> If after accepting the engagement, the practitioner determines that the forecast or projection fails to disclose one or more of the significant assumptions, the practitioner should describe the assumption(s) in the practitioner’s report and express an adverse opinion.</p>	
<p><b>.14</b> If after accepting the engagement the practitioner determines that a projection fails to identify which of the assumptions are hypothetical or describe the limitations on the usefulness of the projection, the practitioner should withdraw from the engagement, unless required by law or regulation to report on the projection, in which case, the practitioner should express an adverse opinion in the practitioner’s report.</p>	
<p><b>Training and Proficiency</b></p>	<p><b>Training and Proficiency (Ref: par. .17)</b></p>

<b>AT-C Section 305, <i>Prospective Financial Information</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>.15</b> The practitioner should understand the guidelines for the preparation and presentation of prospective financial statements contained in the guide.	
<b>.16</b> The practitioner should possess or obtain a level of knowledge of the industry and the accounting principles and practices of the industry in which the entity operates, or will operate, that will enable the practitioner to examine prospective financial information that is appropriate for an entity operating in that industry.	
<b>.17</b> The practitioner should obtain knowledge of the key factors on which the entity’s prospective financial information is based. (Ref: par. .A12)	<p><b>.A12</b> In obtaining knowledge of the entity’s business, accounting policies, and the key factors upon which its future financial results appear to depend, the practitioner may focus on areas such as the following:</p> <ul style="list-style-type: none"> <li>• The availability and cost of resources needed to operate, for example, raw materials, labor, short-term and long-term financing, and plant and equipment.</li> <li>• The nature and condition of markets in which the entity sells its goods or services, including final consumer markets if the entity sells to intermediate markets</li> <li>• Factors specific to the industry, including competitive conditions, sensitivity to economic conditions, accounting policies, specific regulatory requirements, and technology</li> <li>• Patterns of past performance for the entity or comparable entities, including trends in revenue and costs, turnover of assets, uses and capacities of physical facilities, and management policies</li> </ul>
<del><b>Requesting a Written Assertion</b></del>	<del><b>Requesting a Written Assertion (Ref: par. 18)</b></del>
<del><b>.18</b> The practitioner should request from the responsible party a written assertion. If the responsible party refuses to provide a written assertion, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation. (Ref: par. .A13)</del>	<del><b>.A13</b> Paragraph 18 applies regardless of whether the responsible party is the engaging party.</del>
<b>Planning</b>	<b>Planning (Ref: par. <u>.18</u> <del>19</del>)</b>

<b>AT-C Section 305, Prospective Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>.18</b> <del>.19</del> In accordance with section 205, the practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and guides the development of the engagement plan.<sup>23</sup> (Ref: par. <u>.A13</u> <del>.A14</del>)</p>	<p><b>.A13</b> <del>.A14</del> Factors that may be considered by the practitioner in planning the examination of prospective financial information include the following:</p> <ul style="list-style-type: none"> <li>• The financial reporting framework to be used and the type of presentation</li> <li>• Preliminary judgments about materiality levels</li> <li>• Items within the prospective financial information that are subject to risk of material misstatement</li> <li>• Conditions that may require extension or modification of the practitioner’s examination procedures</li> <li>• Knowledge of the entity’s business and its industry</li> <li>• The responsible party’s experience in preparing prospective financial information</li> <li>• The length of the period covered by the prospective financial information</li> <li>• The process by which the responsible party develops its prospective financial information</li> </ul>
<p><b>Examination Procedures</b></p>	<p><b>Examination Procedures (Ref: par. <u>.20-.22,21-.23, 24-25, .25d,26d, and 26</u> <del>.27</del>)</b></p>
<p><b>.19</b> <del>.20</del> The examination procedures should be based on the practitioner’s consideration of the following:</p> <ol style="list-style-type: none"> <li>a. The nature and materiality of the information to the prospective financial information taken as a whole</li> <li>b. The likelihood of material misstatements</li> <li>c. Knowledge obtained during current and previous engagements</li> </ol>	

<sup>2 3</sup>Paragraph .11 of section 205, *Examination Engagements*

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>d.</i> The responsible party’s competence with respect to prospective financial information</p> <p><i>e.</i> The extent to which the prospective financial information is affected by the responsible party’s judgment, for example, its judgment in selecting the significant assumptions used to prepare the prospective financial information</p> <p><i>f.</i> The support for the responsible party’s assumptions</p>	
<p><del>20</del> <del>21</del> The practitioner should evaluate whether the responsible party has a reasonably objective basis for the forecast and should consider whether sufficiently objective assumptions can be developed for each key factor. (Ref: par. <del>A14</del><del>A15</del>)</p>	<p><del>A14</del> <del>A15</del> Chapter 7 of the guide indicates that a reasonably objective basis for a forecast cannot exist if the premise on which the assumptions are based is too subjective. A forecast has to be based on a realistic premise, which has to be supportable. In contrast, the basic premise for a projection does not have to be supportable, although the hypothetical assumptions should be consistent with the purpose of the presentation. Accordingly, in a projection, the responsible party need not have a reasonably objective basis for the hypothetical assumptions.</p>
<p><del>21</del> <del>22</del> The practitioner should perform those procedures the practitioner considers necessary in the circumstances to report on whether the assumptions underlying the forecast are suitably supported and provide a reasonable basis for the forecast, or whether the assumptions underlying the projection are suitably supported and provide a reasonable basis for the projection, given the hypothetical assumptions. (Ref: par. <del>A15</del><del>A16</del> <del>A16</del> <del>A17</del>)</p>	<p><del>A15</del> <del>A16</del> <i>Forecast.</i> The practitioner can form an opinion that the assumptions provide a reasonable basis for the financial forecast if the responsible party represents that the presentation reflects, to the best of its knowledge and belief, its estimate of expected financial position, results of operations, and cash flows for the prospective period, and the practitioner concludes that, based on the practitioner’s examination,</p> <p><i>a.</i> the responsible party has explicitly identified all key factors expected to materially affect the operations of the entity during the prospective period and has developed appropriate assumptions with respect to such factors, and</p> <p><i>b.</i> the assumptions are suitably supported.</p>

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><b><u>A16</u></b> <del>A17</del> <i>Projection.</i> The practitioner can form an opinion that the assumptions provide a reasonable basis for the financial projection given the hypothetical assumptions if the responsible party represents that the presentation reflects, to the best of its knowledge and belief, expected financial position, results of operations, and cash flows for the prospective period given the hypothetical assumptions, and the practitioner concludes, based on the practitioner’s examination, that</p> <ul style="list-style-type: none"> <li>a. the responsible party has explicitly identified all key factors that would materially affect the operations of the entity during the prospective period if the hypothetical assumptions were to materialize and has developed appropriate assumptions with respect to such factors, and</li> <li>b. the other assumptions are suitably supported given the hypothetical assumptions. However, as the number and significance of the hypothetical assumptions increase, the practitioner may not be able to be satisfied about the presentation as a whole by obtaining support for the remaining assumptions.</li> </ul>
<p><del>22</del> <del>23</del> The practitioner should evaluate the support for the significant assumptions individually and in the aggregate. Assumptions are suitably supported if the preponderance of the information supports each significant assumption. In an examination of a projection, the practitioner need not obtain support for the hypothetical assumptions, although the practitioner should evaluate whether they are consistent with the purpose of the presentation. (Ref: par. <del>A17–A19</del> <u>A18–A20</u>)</p>	<p><del>A17</del> <del>A18</del> A preponderance of information exists for an assumption if the weight of available information supports that assumption. Furthermore, because of the judgments involved in developing assumptions, different people may arrive at somewhat different, but equally reasonable, assumptions based on the same information.</p> <p><del>A18</del> <del>A19</del> In evaluating support for assumptions other than hypothetical assumptions in a projection, the practitioner can conclude that they are suitably supported if the preponderance of information supports each significant assumption given the hypothetical assumptions.</p>

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><del>.A19</del> <del>A20</del> Appropriate considerations for forecasts and projections include whether</p> <ul style="list-style-type: none"> <li>a. sufficient pertinent sources of information about the assumptions have been considered. Examples of external sources the practitioner might consider are government publications, industry publications, economic forecasts, existing or proposed legislation, and reports of changing technology. Examples of internal sources are budgets, labor agreements, patents, royalty agreements and records, sales backlog records, debt agreements, and actions of the board of directors involving entity plans.</li> <li>b. the assumptions are consistent with the sources from which they are derived.</li> <li>c. the assumptions are consistent with each other.</li> <li>d. the historical financial information and other data used in developing the assumptions are sufficiently reliable for that purpose. Reliability can be assessed by inquiry and analytical or other procedures, some of which may have been completed in past audits or reviews of the historical financial statements.</li> <li>e. the historical financial information and other data used in developing the assumptions are comparable over the periods specified or whether the effects of any lack of comparability were considered in developing the assumptions.</li> <li>f. the logical arguments or theory, considered with the data supporting the assumptions, are reasonable.</li> </ul>
<p><del>.23</del> <del>.24</del> In an evaluation of whether the assumptions provide a reasonable basis for the forecast, the practitioner should evaluate the assumptions in the aggregate. If certain assumptions do not have a material effect on the presentation, they may not have to be individually evaluated. Nonetheless, the practitioner should evaluate the aggregate effect of individually insignificant assumptions in making the practitioner’s overall evaluation.</p>	

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><del>.24 .25</del> The practitioner should evaluate the assumptions related to an expired portion of the prospective period. (Ref: par. <del>.A20-.A22-A24-</del> <del>A23</del>)</p> <p><del>.25 .26</del> In evaluating the preparation and presentation of the prospective financial information, the practitioner should perform procedures to obtain reasonable assurance about whether the</p> <ol style="list-style-type: none"> <li>a. presentation reflects the identified assumptions,</li> <li>b. computations made to translate the assumptions into prospective amounts are mathematically accurate,</li> <li>c. assumptions are internally consistent,</li> <li>d. accounting principles used in the forecast or projection are appropriate, (Ref: par. <del>.A23-A24</del>)</li> <li>e. prospective financial information is presented in accordance with the AICPA presentation guidelines, and</li> <li>f. assumptions have been adequately disclosed in accordance with the AICPA presentation guidelines.</li> </ol>	<p><del>.A20 .A24</del> The procedures the practitioner performs to evaluate these assumptions depends on</p> <ul style="list-style-type: none"> <li>• the significance of the period,</li> <li>• whether financial statements have been prepared for the expired period, and</li> <li>• whether the forecast or projection incorporates the historical results.</li> </ul> <p><del>.A21 .A22</del> The practitioner may obtain evidence regarding the actual results by applying audit or <u>limited assurance</u> <del>review</del> procedures to the historical results.</p> <p><del>.A22 .A23</del> At some point the historical results become such a large portion of the prospective results that the practitioner might consider it inappropriate to examine the prospective financial information.</p> <p><del>.A23 .A24</del> Under the AICPA presentation guidelines, the accounting principles used in a financial projection need not be those expected to be used in the historical financial statements for the prospective period if use of a different principle is consistent with the purpose of the presentation.</p>

<b>AT-C Section 305, Prospective Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b><del>.26</del> <del>.27</del></b> The practitioner should conclude whether the prospective financial information, including related disclosures, should be revised because of any of the following: (Ref: par. <del>A24</del><del>A25</del>)</p> <ul style="list-style-type: none"> <li>a. Mathematical errors</li> <li>b. Unreasonable or internally inconsistent assumptions</li> <li>c. Inappropriate or incomplete presentation</li> <li>d. Inadequate disclosure</li> </ul>	<p><b><del>A24</del> <del>A25</del></b> The practitioner’s consideration of materiality is discussed in section 205.<sup>310</sup> Materiality is a concept that is judged in light of the expected range of reasonableness of the information; therefore, users would not expect prospective financial information (information about events that have not yet occurred) to be as precise as historical information.</p>
<b>Written Representations in an Examination Engagement</b>	<b>Written Representations in an Examination Engagement (Ref: par. <del>30</del><del>30</del>)</b>
<p><b><del>.27</del> <del>.28</del></b> In an examination of a forecast, in addition to the written representations from the responsible party required by section 205, the practitioner should request from the responsible party written representations that<sup>4</sup></p> <ul style="list-style-type: none"> <li>a. the forecast presents the expected financial position, results of operations, and cash flows for the forecast period and that the forecast reflects the responsible party’s judgment, based on present circumstances, of the expected conditions and its expected course of action;</li> <li>b. the assumptions on which the forecast is based are reasonable and suitably supported; and</li> <li>c. if the forecast contains a range, the item or items subject to the assumptions are reasonably expected to fall within the range and that the range was not selected in a biased or misleading manner.</li> </ul>	
<p><b><del>.28</del> <del>.29</del></b> In an examination of a projection, in addition to the written representations from the responsible party required by section 205, the practitioner should request from the responsible party written representations that<sup>5</sup></p>	

<sup>3</sup> ~~#0~~Paragraph .16 of section 205  
<sup>4</sup> See paragraph .50 of section 205.  
<sup>5</sup> See footnote 4

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>a. identify the hypothetical assumptions;</p> <p>b. identify which of the hypothetical assumptions, if any, are improbable;</p> <p>c. describe the limitations of the usefulness of the presentation;</p> <p>d. <u>state that the responsible is for responsible for</u> the projection presenting the expected financial position, results of operations, and cash flows for the projection period given the hypothetical assumptions, and that the projection reflects the responsible party’s judgment, based on present circumstances, of expected conditions and its expected course of action given the occurrence of the hypothetical events;</p> <p>e. <u>state that</u> the assumptions other than the hypothetical assumptions are reasonable, given the hypothetical assumptions, and are suitably supported; and</p> <p>f. <u>state that</u> if the projection contains a range, given the hypothetical assumptions, the item or items subject to the assumption are reasonably expected to actually fall within the range and that the range was not selected in a biased or misleading manner.</p>	
<p><del>29</del> <del>30</del>. In an examination of prospective financial information, the written representation required by section 205 regarding whether the subject matter is in accordance with (or based on) the criteria should indicate that the forecast (or projection) is presented in accordance with (or based on) the guidelines for the presentation of a financial forecast (or financial projection) established by the American Institute of Certified Public Accountants.<sup>6</sup> (Ref: par. .A26)</p>	<p><del>A25</del> <del>A26</del> Section 205 requires the practitioner to request written representations from the responsible party, including a representation that it has disclosed to the practitioner all known matters contradicting the subject matter<sup>6</sup> <sup>††</sup>. Because no one can know the future, “known matters,” in the context of prospective financial information, refers to what the responsible party expects. The required disclosure in the written representations relates to assumptions that are not consistent with the responsible party’s expectations, or in the case of a projection, not consistent with the responsible party’s expectations given the occurrence of the hypothetical assumptions</p>

<sup>6</sup> Paragraph 50a of section 205.

<sup>††</sup> Paragraph .50c of section 205.

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b><del>.30 .31</del></b> In an examination of prospective financial information, the practitioner should request from the responsible party the written representations required by section 205 and paragraphs <del>.27.28</del> or <del>.28.29</del> of this section, as applicable, even if the engaging party is not the responsible party.<sup>7</sup> <del>The alternative to obtaining the required written representations provided for in section 205 is not permitted in an engagement to examine prospective financial information.</del><sup>8</sup> <u>In an examination performed under this section,</u> <del>the</del> responsible party's refusal to furnish the written representations required by section 205 and paragraphs <del>.27.28</del> or <del>.28.29</del> of this section, as applicable, constitutes a limitation on the scope of the engagement. <u>Such refusal is often</u> sufficient to preclude an unmodified opinion and may be sufficient to cause the practitioner to withdraw from the examination engagement, when withdrawal is possible under applicable laws and regulations.<sup>9</sup></p>	
<p><b>Content of the Practitioner's Examination Report</b></p> <p><b><del>.31 .32</del></b> The practitioner's examination report on prospective financial information should include the following, unless the practitioner is disclaiming an opinion, in which case, items <del>.31g.32f</del> and <del>.31h.32g</del> should be omitted: (Ref: par <del>.A26-.A32 .A27-.A30</del>)</p>	<p><b>Content of the Practitioner's Examination Report (Ref: par. <del>.31-.33.32-.34</del>, and <del>.35.36</del>)</b></p> <p><b><del>.A26 .A27</del></b> The list of elements in paragraphs <del>.31-.33 .32-.34</del> constitutes all the required elements for a practitioner's report on an examination of prospective financial information, including the elements required by section 205<sup>9+2</sup> Application guidance regarding the elements of an examination report is included in section 205.<sup>10+3</sup></p> <p><b><del>.A27 .A28</del></b> Example 1 in the exhibit, "Illustrative Practitioner's Examination and Agreed-Upon Procedures Reports Related to Prospective Financial Information," to this section provides an illustration of a practitioner's report on an examination of a financial forecast.</p>

<sup>7</sup> See footnote 4

<sup>8</sup> ~~Par. 51 of section 205~~

<sup>9</sup> Paragraphs ~~50, 54, 55,~~ and ~~A68, A64~~ of section 205.

<sup>9+2</sup> Paragraphs ~~.62-.65.63-.66~~ of section 205.

<sup>10 +3</sup> Paragraphs ~~.A85-.A111, A78, A101~~ of section 205.

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p><b><u>.A28</u></b> <del><b>.A29</b></del> The requirements in paragraph <b><u>.31</u></b> <del><b>.32</b></del> are applicable to practitioners' reports on prospective financial statements and on partial presentations.</p> <p><b><u>.A29</u></b> <del><b>.A30</b></del> When the practitioner's examination of prospective financial information is part of a larger engagement, for example, a financial feasibility study or business acquisition study, the practitioner may expand the practitioner's report on the examination of the prospective financial information to describe the entire engagement. Chapter 17, "The Practitioner's Examination Report," of the guide addresses reporting when the examination engagement is part of a larger engagement.</p> <p><b><u>.A30</u></b> <del><b>.A31</b></del> Section 205 notes that the specified parties may be identified by naming them, referring to a list of them, or identifying them as a class.<sup>11+4</sup></p> <p><b><u>.A31</u></b> <del><b>.A32</b></del> Example 2 in the exhibit to this section provides an illustration of a practitioner's examination report on a financial projection.</p> <p><b><u>.A32</u></b> <del><b>.A33</b></del> The following is an example of a separate paragraph to be added to the practitioner's report when the practitioner examines prospective financial statements, in this case, a forecast that contains a range:</p> <p style="padding-left: 40px;">As described in the summary of significant assumptions, management of XYZ Company has elected to portray forecasted <i>[describe the financial statement element or elements for which the expected results of one or more assumptions fall within a</i></p>

<sup>11 +4</sup> Paragraph ~~**.A98**~~ **.A108** of section 205.

<b>AT-C Section 305, <i>Prospective Financial Information</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p><i>range, and identify assumptions expected to fall within a range, for example, revenue in the amounts of \$X,XXX and \$Y,YYY, which is predicated upon occupancy rates of XX percent and YY percent of available apartments]</i> rather than as a single point estimate. Accordingly, the accompanying forecast presents forecasted financial position, results of operations, and cash flows [<i>describe one or more assumptions expected to fall within a range, for example, “at such occupancy rates”</i>]. However, there is no assurance that the actual results will fall within the range of [<i>describe one or more assumptions expected to fall within a range, for example, occupancy rates</i>] presented.</p>
a. A title that includes the word <i>independent</i> .	
b. An appropriate addressee as required by the circumstances of the engagement.	
c. An identification of the prospective financial information being reported on, including the period of time to which the prospective financial information relates.	
d. An indication that the criteria against which the prospective financial information was measured or evaluated are the guidelines for the presentation of a forecast (or projection) established by the American Institute of Certified Public Accountants.	
e. A statement that identifies <del>the</del> the responsible party and its responsibility for preparing and presenting the prospective financial information in accordance with the guidelines for the presentation of a forecast (or projection) established by the American Institute of Certified Public Accountants.	

<b>AT-C Section 305, Prospective Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><del>f.ii.</del> <u>A statement that</u> the practitioner's responsibility is to express an opinion on the prospective financial information, based on the practitioner's examination</p>	
<p><del>g.f.</del> A statement that</p> <ul style="list-style-type: none"> <li>i. the practitioner's examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.</li> <li>ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether the forecast (or projection) is presented in accordance with the guidelines for the presentation of a forecast (or projection) established by the American Institute of Certified Public Accountants, in all material respects.</li> <li>iii. the practitioner believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the practitioner's opinion</li> </ul>	
<p><del>h.g.</del> A description of the nature of an examination engagement.</p>	
<p><del>i.h.</del> The practitioner's opinion about whether the forecast (or projection) is presented, in all material respects, in accordance with the guidelines for the presentation of a forecast (or projection) established by the American Institute of Certified Public Accountants, and whether the underlying assumptions are suitably supported and provide a reasonable basis for the forecast or a reasonable basis for the projection given the hypothetical assumptions.</p>	
<p><del>j.</del> <u>A statement that the practitioner is independent and has fulfilled the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.</u></p>	

<b>AT-C Section 305, <i>Prospective Financial Information</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><del>k</del><sup>i</sup>. A statement indicating that the prospective results may not be achieved and describing other significant inherent limitations, if any.</p>	
<p><del>l</del><sup>j</sup>. A statement that the practitioner has no responsibility to update the report for events and circumstances occurring after the date of the report.</p>	
<p><del>m</del><sup>k</sup>. The manual or printed signature of the practitioner’s firm.</p>	
<p><del>n</del><sup>l</sup>. The city and state where the practitioner practices.</p>	
<p><del>o</del><sup>m</sup>. The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate evidence on which to base the practitioner’s opinion, including evidence that</p> <ul style="list-style-type: none"> <li>i. the attestation documentation has been reviewed,</li> <li>ii. the prospective financial information has been prepared, and</li> <li>iii. the <u>appropriate responsible</u> party has provided <u>all necessary</u> <del>assertion</del> <u>written representations</u>.)</li> </ul>	
<p><del>32</del> <del>33</del> When a practitioner examines a projection, the practitioner’s opinion regarding the assumptions should be conditioned on the hypothetical assumptions, that is, the practitioner should express an opinion on whether the assumptions provide a reasonable basis for the projection, given the hypothetical assumptions. In addition to the required elements for a practitioner’s report on an examination of a forecast, a report on an examination of a projection should include (Ref: par. <del>A26-A27</del> and <del>A30-A31-A31-A32</del>)</p> <ul style="list-style-type: none"> <li>a. an identification of the hypothetical assumptions,</li> <li>b. a description of the special purpose for which the projection was prepared, and</li> <li>c. an alert, in a separate paragraph, that restricts the use of the report. The alert should</li> </ul>	

<b>AT-C Section 305, Prospective Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>i. state that the report is intended solely for the information and use of the specified parties,</p> <p>ii. identify the specified parties for whom use is intended, and</p> <p>iii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.</p> <p>d. When the engagement is also performed in accordance with <i>Government Auditing Standards</i>, the alert that restricts the use of the report should include the following information, rather than the information required by paragraph <del>.32-33c</del>:</p> <p>i. a description of the purpose of the report, and</p> <p>ii. a statement that the report is not suitable for any other purpose.</p>	
<p><del>.33-34</del> When the prospective financial information contains a range, the practitioner’s report should also include a separate paragraph that states that the responsible party has elected to portray the expected results of one or more assumptions as a range. (Ref: par. <del>.A26-A27</del> and <del>.A32-A33</del>)</p>	
<p><b>Modified Opinions</b></p> <p><del>.34-35</del> The following are circumstances that require the practitioner to modify the opinion and the type of modified opinion the practitioner should express in each circumstance: (Ref: par. <del>.A33-.A37</del> <del>A34-.A38</del>)</p> <p>a. If, in the practitioner’s judgment, the prospective financial information materially departs from AICPA presentation guidelines, the practitioner should express a qualified or adverse opinion. (Ref: par. <del>.A34-.A35</del> <del>A35-.A36</del>)</p>	<p><b>Modified Opinions (Ref: par. <u>.34-35</u>)</b></p> <p><del>.A33-34</del> Because of the nature, sensitivity, and interrelationship of prospective financial information, a user of a practitioner’s report may find it difficult to interpret a practitioner’s opinion that is qualified because of a misapplication of accounting principles, the failure to disclose a significant assumption, the unreasonableness of the underlying assumptions, an assumption that is not suitably supported, or a scope limitation. Using language such as “except for . . .” in the practitioner’s opinion about these items may result in misunderstanding by users of the report. For that reason, when a misapplication of accounting principles, a failure to disclose a significant assumption, an unreasonable assumption, an assumption that is not suitably supported, or a limitation on the scope of the practitioner’s examination has led the practitioner to conclude that the practitioner cannot express an unmodified opinion, paragraph <del>.34-35</del> identifies the type of modified opinion to be expressed.</p>

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p><b><u>.A34</u></b> <del>A35</del> A qualified opinion may result from the failure to disclose matters (other than the significant assumptions) required by AICPA presentation guidelines, for example, the failure to disclose significant accounting policies, which is required by chapter 8 of the guide. (As indicated in paragraph <del>.34-35b</del>, the failure to disclose significant assumptions would result in an adverse opinion.)</p> <p><b><u>.A35</u></b> <del>A36</del> Section 205 indicates that a qualified opinion is expressed as being “except for the effects of the matter to which the qualification relates.”<sup>12+5</sup> Section 205 also requires that the practitioner’s opinion be separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities.<sup>13+6</sup> Accordingly, the opinion paragraph would refer to a separate paragraph that describes the matter giving rise to the qualification. The following is an illustration of the separate paragraph that describes the matter giving rise to the qualification and the opinion paragraph when a financial forecast contains a departure from AICPA presentation guidelines:</p> <p style="padding-left: 40px;">The forecast does not disclose significant accounting policies. Disclosure of such policies is required by guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants.</p> <p style="padding-left: 40px;">In our opinion, except for the omission of the disclosures related to significant accounting policies as discussed in the preceding paragraph, the accompanying forecast is presented, <u>in all material respects</u>, in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions are suitably</p>

<sup>12+5</sup> Paragraph ~~7470~~ of section 205.

<sup>13+6</sup> Paragraph ~~7980~~ of section 205.

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>b. If the prospective financial information fails to disclose assumptions that, in the practitioner’s professional judgment, are significant, or misapplies the accounting principles, the practitioner should express an adverse opinion. (Ref: par. <del>A36-A37</del>)</p> <p>c. If the practitioner believes that one or more significant assumptions are not suitably supported or do not provide a reasonable basis for the forecast, or for the projection given the hypothetical assumptions, the practitioner should express an adverse opinion. (Ref: par. <del>A36-A37</del>)</p>	<p>supported and provide a reasonable basis for management’s forecast.</p> <p><del>A36</del> <del>A37</del> In an adverse opinion, the practitioner’s opinion states that the presentation is not in accordance with the AICPA presentation guidelines and, when applicable, also states that in the practitioner’s opinion, the assumptions are not suitably supported and do not provide a reasonable basis for the prospective financial statements. The following are illustrative paragraphs for use when the practitioner expresses an adverse opinion because the financial forecast contains a significant assumption that is unreasonable:</p> <p style="padding-left: 40px;">As discussed under the caption “Sales” in the summary of significant forecast assumptions, the forecasted sales include, among other things, revenue from the Company’s federal defense contracts continuing at the current level. The Company’s present federal defense contracts will expire in March 20XX. No new contracts have been signed, and no negotiations are underway for new federal defense contracts. Furthermore, the federal government has entered into contracts with another company to supply the items being manufactured under the Company’s present contracts.</p> <p style="padding-left: 40px;">In our opinion, the accompanying forecast is not presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants because management’s assumptions, as discussed in the preceding paragraph, are not suitably supported and do not provide a reasonable basis for management’s forecast.</p> <p><del>A37</del> <del>A38</del> In a disclaimer of opinion, the paragraph of the practitioner’s report that describes the matters giving rise to the opinion modification describes the respects in which the examination</p>

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

d. If the practitioner is unable to obtain sufficient appropriate evidence, the practitioner should disclaim an opinion and describe the scope limitation in the practitioner's report. (Ref: par. A37 ~~A38~~)

**Application and Other Explanatory Material**

did not comply with attestation standards applicable to an examination engagement. The practitioner states that because of the respects in which the examination did not comply with such standards, the scope of the examination was not sufficient to enable the practitioner to express, and the practitioner does not express, an opinion on the presentation of or the assumptions underlying the forecast or projection. The following is an illustrative report on an examination of prospective financial statements, in this case, a financial forecast, for which a significant assumption could not be evaluated.

We were engaged to examine the accompanying forecast of XYZ Company, which comprises the forecasted balance sheet as of December 31, 20XX, and the related forecasted statements of income, stockholders' equity, and cash flows for the year then ending. XYZ Company's management is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants.

As discussed under the caption, "Income From Investee" in the summary of significant forecast assumptions, the forecast includes income from an equity investee constituting 23 percent of forecasted net income, which is management's estimate of the Company's share of the investee's income to be accrued for 20XX. The investee has not prepared a forecast for the year ending December 31, 20XX, and we were, therefore, unable to obtain suitable support for this assumption.

Because, as described in the preceding paragraph, we are unable to evaluate management's assumption regarding income from an equity investee and other assumptions that depend thereon, the scope of our work was not sufficient to express, and we do not

<b>AT-C Section 305, <i>Prospective Financial Information</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>express, an opinion with respect to the presentation of or the assumptions underlying the accompanying forecast.</p> <p>We have no responsibility to update this report for events and circumstances occurring after the date of this report.</p>
<p><b>Partial Presentations</b></p> <p><del>35</del> <del>36</del> When examining a partial presentation, the practitioner should give appropriate consideration to whether key factors affecting elements, accounts, or items that are interrelated with those in the partial presentation have been considered, including key factors that may not necessarily be obvious to the user of a partial presentation (for example, production capacity relative to a sales forecast), and whether all significant assumptions have been disclosed. (Ref: par. <del>A38</del>, <del>A39</del>, <del>A39</del>, <del>A40</del> and <del>A28</del>, <del>A29</del>)</p> <p><del>36</del> <del>37</del> Because partial presentations are generally appropriate only for limited use, practitioners' reports on partial presentations of both forecasted and projected financial information should include a description of any limitations on the usefulness of the presentation.</p>	<p><b>Partial Presentations (Ref: par. <del>35</del><del>36</del>)</b></p> <p><del>A38</del> <del>A39</del> Paragraphs 8.57–8.72, Chapter 23 of the guide addresses partial presentations.</p> <p><del>A39</del> <del>A40</del> The practitioner's procedures on a partial presentation may be affected by the nature of the information presented. Many elements of prospective financial statements are interrelated. The nature and extent of the procedures performed in an examination of some partial presentations may need to be similar to the procedures performed in an examination of a full presentation of prospective financial statements. For example, the scope of a practitioner's procedures when the practitioner examines forecasted results of operations (a partial presentation) would likely be similar to that of procedures used for the examination of prospective financial statements because the practitioner would most likely need to consider the interrelationships of all accounts in the examination of results of operations.</p>
<p><b>Preconditions for an Agreed-Upon Procedures Engagement</b></p>	
<p><del>37</del> <del>38</del> In addition to determining that the preconditions for accepting or continuing an agreed-upon procedures engagement enumerated in section 105 and section 215 are met, the practitioner should not perform an agreed-upon procedures engagement on a forecast or projection unless the prospective financial information includes a summary of significant assumptions.</p>	

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Content of the Practitioner’s Agreed-Upon Procedures Report</b></p> <p><del>.38 .39</del> The practitioner’s report on the application of agreed-upon procedures to a forecast or projection should include the following: (Ref: par. <del>.A40-.A41</del><del>A41</del><del>.A42</del>)</p> <ol style="list-style-type: none"> <li>a. A title that <u>clearly indicates that the report is an agreed-upon procedures report and that includes the word <i>independent</i>.</u></li> <li>b. An appropriate addressee as required by the circumstances of the engagement.</li> <li>c. <u>Identification of</u> <ol style="list-style-type: none"> <li><del>ei. An identification of the prospective financial information to which and the nature of an agreed-upon procedures engagement have been applied.</del></li> <li>ii. <u>the engaging party.</u></li> <li>iii. <u>the intended purpose of the engagement in sufficient detail to enable the reader to understand the nature of the work performed, and</u></li> <li>iv. <u>the criteria, which are the guidelines for the presentation of a forecast (or projection) established by the American Institute of Certified Public Accountants.</u></li> </ol> </li> <li>d. <u>A statement that the agreed-upon procedures report may not be suitable for any other purpose.</u></li> </ol>	<p><b>Content of the Practitioner’s Agreed-Upon Procedures Report (Ref: par. <del>.38 .39</del>)</b></p> <p><del>.A40</del><del>.A41</del> The list of elements in paragraph <del>.38</del><del>.39</del> constitutes all the required elements for a practitioner’s report on the application of agreed-upon procedures to a forecast or projection, including the elements required by section 215.<sup>1447</sup> Application guidance regarding the elements of an agreed-upon procedures report is included in section 215.<sup>1548</sup></p> <p><del>.A41</del><del>.A42</del> Example 3 in the exhibit to this section provides an illustration of a practitioner’s agreed-upon procedures report.</p>

<sup>1447</sup> Paragraph ~~.32-.34~~~~.35~~ of section 215, *Agreed-Upon Procedures Engagements*.

<sup>1548</sup> Paragraphs ~~.A45-.A64~~~~.35~~~~.A41~~ of section 215.

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

- ~~d.~~ ~~An identification of the specified parties.~~
- e. A description of the agreed-upon procedures engagement stating
  - i. that an agreed-upon procedures engagement involves the practitioner performing the procedures that the engaging party has acknowledged to be appropriate for the purpose of the engagement, and reporting on findings based on the procedures performed, and
  - ~~ej.~~ that the engaging party has acknowledged ~~A statement that the~~ procedures performed were appropriate for those agreed to by the intended purpose of the engagement. ~~specified parties identified in the report.~~
- ~~f.~~ ~~A statement that identifies the responsible party and its responsibility for preparing and presenting the forecast (or projection) in accordance with the guidelines for the presentation of a forecast (or projection) established by the American Institute of Certified Public Accountants.~~
- ~~g.~~ ~~A statement that~~
  - ~~i.~~ ~~the sufficiency of the procedures is solely the responsibility of the parties specified in the report.~~
  - ~~ii.~~ ~~the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose.~~
- ~~f/~~ ~~A list of the procedures performed (or reference thereto) detailing the nature and extent of each procedure and related findings. (The practitioner should not provide a conclusion.)~~
- g. A description of the findings from each procedure performed, including sufficient details on exceptions found.

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><del>h.</del> When applicable, a description of any <u>specified agreed-upon</u> materiality limits.</p> <p><i>i.</i> A statement that</p> <ul style="list-style-type: none"> <li>i. the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.</li> <li>ii. the practitioner was not engaged to and did not conduct an examination or <u>limited assurance attestation engagement review</u>, the objective of which would be the expression of an opinion or a conclusion, respectively, on               <ul style="list-style-type: none"> <li>(1) whether the presentation of the forecast (or projection) is in accordance with guidelines for the presentation of a forecast (or projection) established by the American Institute of Certified Public Accountants,</li> <li>(2) whether the underlying assumptions are suitably supported, and</li> <li>(3) whether the underlying assumptions provide a reasonable basis for the forecast or a reasonable basis for the projection given the hypothetical assumptions.</li> </ul> </li> <li>iii. the practitioner does not express such an opinion or conclusion.</li> <li>iv. had the practitioner performed additional procedures, other matters might have come to the practitioner’s attention that would have been reported.</li> </ul> <p><i>j.</i> <u>A statement that the practitioner is independent and has fulfilled the practitioner’s other ethical responsibilities in accordance with relevant ethical requirements relating to the agreed-upon procedures engagement.</u></p>	

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>k. <del>When applicable, a</del> description of the nature of the assistance provided by a practitioner's external specialist, <u>if applicable</u>.</p> <p>l. A statement indicating that the prospective results may not be achieved and describing other significant inherent limitations, if any.</p> <p>m. A statement that the practitioner has no responsibility to update the report for events and circumstances occurring after the date of the report.</p> <p>n. When applicable, <u>limitations on</u> <del>reservations or restrictions concerning</del> procedures or findings.</p> <p><del>o. An alert, in a separate paragraph, that restricts the use of the report. The alert should</del></p> <p><del>i. state that the report is intended solely for the information and use of the specified parties,</del></p> <p><del>ii. identify the specified parties for whom use is intended, and</del></p> <p><del>iii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.</del></p> <p><del>p. When the engagement is also performed in accordance with <i>Government Auditing Standards</i>, the alert that restricts the use of the report should include the following information, rather than the information required by paragraph 39o:</del></p> <p><del>i. A description of the purpose of the report</del></p> <p><del>ii. A statement indicating that the report is not suitable for any other purpose</del></p> <p><u>oq.</u> The manual or printed signature of the practitioner's firm.</p> <p><u>pr.</u> The city and state where the practitioner practices.</p>	

**AT-C Section 305, *Prospective Financial Information* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><del>g.</del> The date of the report. (The report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that</p> <ul style="list-style-type: none"> <li><del>i. the attestation documentation has been reviewed, and</del></li> <li><del>ii. the prospective financial information has been prepared.) and</del></li> <li><del>iii. the responsible party has provided a written assertion, unless the responsible party refuses to provide an assertion.)</del></li> </ul> <p><b>.39</b> <u>In the following circumstances, the practitioner’s agreed-upon procedures report should include an alert, in a separate paragraph, that restricts the use of the report:</u></p> <ul style="list-style-type: none"> <li><u>a. The engaging party or other party prescribes the procedures for the practitioner to perform and precludes the practitioner from performing or designing additional procedures.</u></li> <li><u>b. The practitioner is applying agreed-upon procedures to a projection.</u></li> </ul> <p>32.</p> <p><b>.40</b> <u>The alert should</u></p> <ul style="list-style-type: none"> <li><u>a. state that the practitioner’s report is intended solely for the information and use of the specified parties,</u></li> <li><u>b. identify the specified parties for whom use is intended, and</u></li> <li><u>c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.</u></li> </ul>	

~~A42~~ ~~A43~~

## **Exhibit—Illustrative Practitioner’s Examination and Agreed-Upon Procedures Reports Related to Prospective Financial Information**

### **Example 1: Practitioner’s Examination Report on a Financial Forecast**

The following is an illustrative practitioner’s report for an examination of a financial forecast that does not contain a range.

#### **Independent Accountant’s Report**

*[Appropriate Addressee]*

We have examined the accompanying forecast of XYZ Company, which comprises [*identify the statements, for example, the forecasted balance sheet as of December 31, 20XX, and the related forecasted statements of income, stockholders’ equity, and cash flows for the year then ending*], based on the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. XYZ Company’s management<sup>1</sup> is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants.<sup>2</sup> Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, in all material respects. An examination involves performing procedures to obtain evidence about the forecast. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the forecast, 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 independent of XYZ Company and have fulfilled our other ethical responsibilities in accordance with the relevant ethical requirements relating to our examination.

In our opinion, the accompanying forecast is presented, in all material respects, in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions are suitably supported and provide a reasonable basis for management’s forecast.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We

---

<sup>1</sup> If the responsible party is other than management, the references to management in this illustrative practitioner’s report would be changed to refer to the party who has responsibility for the assumptions.

<sup>2</sup> When the presentation is summarized as illustrated in exhibit 9-2 of the AICPA Guide *Prospective Financial Information*, this sentence might read, “We have examined the accompanying summarized forecast of XYZ Company as of December 31, 20XX, and for the year then ending...”

have no responsibility to update this report for events and circumstances occurring after the date of this report.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

### **Example 2: Practitioner's Examination Report on a Financial Projection**

The following is an illustrative practitioner's report for an examination of a financial projection that does not contain a range.

#### **Independent Accountant's Report**

*[Appropriate Addressee]*

We have examined the accompanying projection of XYZ Company, which comprises *[identify the statements, for example, the projected balance sheet as of December 31, 20XX, and the related projected statements of income, stockholders' equity, and cash flows for the year then ending]* based on the guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants.<sup>3</sup> XYZ Company's management<sup>4</sup> is responsible for preparing and presenting the projection based on *[identify the hypothetical assumption, for example, the granting of the requested loan as described in the summary of significant assumptions]* in accordance with the guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants. The projection was prepared for *[describe the special purpose, for example, the purpose of negotiating a loan to expand XYZ Company's plant]*. Our responsibility is to express an opinion on the projection based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the projection is presented in accordance with the guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants, in all material respects. An examination involves performing procedures to obtain evidence about the projection. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the projection, 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.

In our opinion, *[describe the hypothetical assumption(s), for example, assuming the granting of the requested loan for the purpose of expanding XYZ Company's plant as described in the*

---

<sup>3</sup> When the presentation is summarized as illustrated in exhibit 9-2 of the AICPA Guide *Prospective Financial Information*, this sentence might read, "We have examined the accompanying summarized projection of XYZ Company as of December 31, 20XX, and for the year then ending..."

<sup>4</sup> If the responsible party is other than management, the references to management in this illustrative practitioner's report would be changed to refer to the party who has responsibility for the assumptions.

*summary of significant assumptions*] the projection referred to above is presented, in all material respects, in accordance with the guidelines for the presentation of a projection established by the American Institute of Certified Public Accountants, and the underlying assumptions are suitably supported and provide a reasonable basis for management's projection given the hypothetical assumption(s).

We are independent of XYZ Company and have fulfilled our other ethical responsibilities in accordance with the relevant ethical requirements relating to our examination.

Even if [*identify the hypothetical assumption, for example, the loan is granted and the plant is expanded*], there will usually be differences between the projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The accompanying projection and this report are intended solely for the information and use of [*identify specified parties, for example, XYZ Company and DEF National Bank*], and are not intended to be and should not be used by anyone other than these specified parties.

[*Practitioner's signature*]

[*Practitioner's city and state*]

[*Date of practitioner's report*]

### **Example 3: Practitioner's Agreed-Upon Procedures Report Related to a Financial Forecast**

The following is an illustrative practitioner's report for an engagement to apply agreed-upon procedures to a financial forecast.

#### **Independent Accountant's Agreed-Upon Procedures Report**

[*Appropriate Addressee*]

We have performed the procedures enumerated below, ~~which were agreed to by [*identify the specified parties, for example, the boards of directors of XYZ Corporation and ABC Company*],~~ on [*identify the statements, for example, the forecasted balance sheet as of December 31, 20XX and the related forecasted statements of income, stockholders' equity, and cash flows of DEF Company, a subsidiary of ABC Company, for the year then ending*]. [*The engaging party*] acknowledged that the procedures performed are appropriate for the purpose of [*identify the intended purpose of the engagement*]. Our report may not be suitable for any other purpose. ~~DEF Company's management~~<sup>5</sup> is responsible for preparing and presenting the forecast in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the

<sup>5</sup> If the responsible party is other than management, the references to management in this illustrative report would be changed to refer to the party who has responsibility for the assumptions.

~~sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.~~

An agreed-upon procedures engagement involves our performing the procedures that [identify the engaging party] has acknowledged to be appropriate for the purpose of [identify the intended purpose of the engagement] and reporting on findings based on the procedures performed.

*[Include paragraphs to enumerate procedures and findings.]*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or limited assurance attestation engagement review, the objective of which would be the expression of an opinion or conclusion, respectively, about whether the forecast is presented in accordance with the guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants or whether the underlying assumptions are suitably supported or provide a reasonable basis for management's forecast. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

There will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

~~This report is intended solely for the information and use of [identify the specified parties, for example, the boards of directors of ABC Company and XYZ Corporation], and is not intended to be, and should not be, used by anyone other than these specified parties.~~

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the agreed-upon procedures engagement.

*[Additional paragraph(s) may be added to describe other matters.]*

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<b>Introduction</b>	
<p><b>.01</b> This section contains performance and reporting requirements and application guidance for a practitioner <u>performing an examination or a limited assurance engagement</u> <del>reviewing of</del> pro forma financial information.</p>	
<p><b>.02</b> This section does not apply when</p> <ul style="list-style-type: none"> <li>• a practitioner is performing agreed-upon procedures related to pro forma financial information. Section 105, <i>Concepts Common to All Attestation Engagements</i>,* and section 215, <i>Agreed-Upon Procedures Engagements</i>, are applicable to such engagements.</li> <li>• certain requesting parties request a comfort letter or ask a practitioner to perform procedures on pro forma financial information in connection with an offering. AU-C section 920, <i>Letters for Underwriters and Certain Other Requesting Parties</i>,<sup>‡</sup> is applicable to such engagements.</li> <li>• pro forma financial information is presented outside the basic financial statements but within the same document, and the practitioner is not engaged to report on the pro forma financial information. AU-C section 720, <i>Other Information in Documents Containing Audited Financial Statements</i>, and AUC section 925, <i>Filings With the U.S. Securities and Exchange Commission Under the Securities Act of 1933</i>, may be applicable to such engagements.</li> <li>• for purposes of a more meaningful presentation, a transaction consummated after the balance sheet date is reflected in the historical financial statements (such as a revision of debt</li> </ul>	

\* All AT-C sections can be found in AICPA Professional Standards.

‡ All AU-C sections can be found in AICPA Professional Standards.

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>maturities or a revision of earnings per share calculations for a stock split).</p> <ul style="list-style-type: none"> <li>the applicable financial reporting framework requires the presentation of pro forma financial information in the financial statements or the accompanying notes. For example, generally accepted accounting principles require pro forma financial information in FASB <i>Accounting Standards Codification</i> (ASC) 805, <i>Business Combinations</i>, FASB ASC 250, <i>Accounting Changes and Error Corrections</i>, or, in some cases, pro forma financial information relating to subsequent events.</li> </ul>	
<p><b>.03</b> In addition to complying with this section, a practitioner is required to comply with section 105 and either section 205, <i>Examination Engagements</i>, for examinations <del>that address</del> of pro forma financial information or section 210, <i>Limited Assurance <del>Review</del> Engagements</i>, for <del>limited assurance engagements reviews</del> that address of pro forma financial information. In some cases, this section repeats or refers to requirements found in sections 105, 205, and 210 when describing those requirements in the context of an examination or <u>limited assurance engagement review that addresses</u> of pro forma financial information. Although not all the requirements in sections 105, 205, and 210 are repeated or referred to in this section, the practitioner is responsible for complying with all the requirements in sections 105, 205, and 210, as applicable.</p>	
<p><b>Effective Date</b></p> <p><b>.04</b> This section is effective for practitioners' examination and limited assurance <del>review</del> reports on pro forma financial information dated on or after <u>May 1, 2020</u><del>17</del>.</p>	

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Objectives of an Examination Engagement</b></p> <p><b>.05</b> In conducting an examination of pro forma financial information, the objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. obtain reasonable assurance about whether, in accordance with (or based on) the criteria               <ul style="list-style-type: none"> <li>i. management’s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), (Ref: par. .A1)</li> <li>ii. and, in all material respects                   <ul style="list-style-type: none"> <li>(1) the related pro forma adjustments give appropriate effect to those assumptions, and</li> <li>(2) the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts.</li> </ul> </li> </ul> </li> <li>b. express an opinion in a written report on the matters in paragraph .05a.</li> </ul>	<p><b>Objectives of an Examination Engagement (Ref: par. .5a[i])</b></p> <p><b>.A1</b> For the purposes of this section, the responsible party is management of the entity for which the practitioner is reporting on pro forma financial information.</p>
<p><b>Objectives of a <u>Limited Assurance</u> <del>Review</del> Engagement</b></p> <p><b>.06</b> In conducting a <u>limited assurance engagement</u> <del>review of that addresses</del> pro forma financial information, the objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. obtain limited assurance about whether, in accordance with (or based on) the criteria, any material modifications should be made to               <ul style="list-style-type: none"> <li>i. management’s assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event),</li> <li>ii. the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or</li> </ul> </li> </ul>	

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>iii. the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts.</p> <p>b. express a conclusion in a written report <u>in a form that conveys whether, based on the procedures performed and the limited assurance evidence obtained, the practitioner is aware of any material modification that should be made to</u><del>on</del> the matters in paragraph .6a<i>i-iii</i>.</p>	
<b>Definitions</b>	<b>Definitions (Ref: par. .07)</b>
<p><b>.07</b> For the purposes of this section, the following terms have the meanings attributed as follows: (Ref: par. .A2-.A5)</p> <p><b>Criteria for the preparation of pro forma financial information.</b> The basis disclosed in the pro forma financial information that management used to develop the pro forma financial information, including the assumptions underlying the pro forma financial information. Paragraph <del>.10-11</del> contains the attributes of suitable criteria for an examination or <u>limited assurance engagement that addresses</u> <del>review of</del> pro forma financial information.</p> <p><b>Pro forma financial information.</b> A presentation that shows what the significant effects on historical financial information might have been had a consummated or proposed transaction (or event) occurred at an earlier date.</p>	<p><b>Pro Forma Financial Information</b></p> <p><b>.A2</b> Pro forma financial information is developed by applying pro forma adjustments to historical financial information. Appropriate pro forma adjustments are based on management’s assumptions, give effect to all significant effects directly attributable to the transaction (or event), and are stated on a basis consistent with the financial reporting framework of the reporting entity and its accounting policies under that framework.</p> <p><b>.A3</b> Pro forma financial information is commonly used to show the effects of transactions such as the following:</p> <ul style="list-style-type: none"> <li>• Business combination</li> <li>• Change in capitalization</li> <li>• Disposition of a significant portion of the business</li> <li>• Change in the form of business organization or status as an autonomous entity</li> <li>• Proposed sale of securities and the application of the proceeds</li> </ul> <p><b>.A4</b> Adequately disclosed pro forma financial information</p>

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"> <li>• is labeled as such to distinguish it from historical financial information.</li> <li>• describes the transaction (or event) that is reflected in the pro forma financial information, the date on which the transaction (or event) is assumed to occur, the financial reporting framework of the historical financial statements, the source of the historical financial information on which it is based, the significant assumptions used to develop the pro forma adjustments, and any significant uncertainties about those assumptions.</li> <li>• indicates that the pro forma financial information should be read in conjunction with related historical financial information and that the pro forma financial information is not necessarily indicative of the results (such as financial position and results of operations, as applicable) that would have been attained had the transaction (or event) actually taken place earlier.</li> </ul> <p><b>.A5</b> Article 11 of Regulation S-X provides further guidance on the presentation of pro forma financial information included in filings with the SEC.</p>
<b>Requirements</b>	
<p><b>Preconditions for an Examination or <u>Limited Assurance Review</u> Engagement</b></p> <p><b>.08</b> In order to accept an attestation engagement to <u>perform an examination</u> or <u>limited assurance engagement of review</u> pro forma financial information, in addition to the preconditions for an attestation engagement included in sections 105 and 205, the practitioner<sup>1</sup></p>	<p><b>Preconditions for an Examination or <u>Limited Assurance Review</u> Engagement (Ref: par. <del>08</del>-.09)</b></p> <p><b>.A6</b> For pro forma financial information included in an SEC Form 8-K, historical financial information previously included in an SEC filing would meet this requirement. Interim historical financial</p>

<sup>1</sup> Paragraphs .24–.28 of section 105, *Concepts Common to All Attestation Engagements*, and paragraph .06 of section 205, *Examination Engagements*.

**AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>a. should determine that the document that contains the pro forma financial information includes historical financial statements of the entity for the most recent year (or for the preceding year if financial statements for the most recent year are not yet available) or that such financial statements are readily available and, if pro forma financial information is presented for an interim period, the document also either includes historical interim financial information for that period (which may be presented in condensed form) or such interim information is readily available. In the case of a business combination, the document includes the relevant historical financial information for the significant constituent parts of the combined entity. (Ref: par. .A6–.A7)</p> <p>b. should determine that the historical financial statements of the entity (or in the case of a business combination, of each significant constituent part of the combined entity) on which the pro forma financial information is based, <del>in the case of</del> (Ref: par. .A7–.A8)</p> <p style="margin-left: 20px;">i <del>have been audited, in the case of an examination that addresses</del> <del>of</del> pro forma financial information, <del>have been audited</del>, or</p> <p style="margin-left: 20px;">ii. <u>have been audited or reviewed, in the case of a limited assurance engagement review that addresses</u> <del>of</del> pro forma financial information, <del>have been audited or reviewed</del>, (Ref: par. .A8) and</p> <p>the audit report (or the review report, if issued) is included in the document containing the pro forma financial information (or is readily available) to the extent that the historical financial</p>	<p>information may be presented as a column in the pro forma financial information.</p> <p><b>.A7</b> Historical financial statements, historical interim financial information, and audit reports are deemed to be <i>readily available</i> if they are obtainable by a third-party user without any further action by the entity. (For example, historical interim financial information on an entity’s website may be considered readily available, but being available upon request is not considered readily available.)</p> <p><b>.A8</b> For issuers, the review may be as defined in AU section 722, <i>Interim Financial Information</i>,<sup>‡</sup> of the PCAOB’s interim auditing standards. For nonissuers, the review may be an interim or annual review as described in AR-C section 90, <i>Review of Financial Statements</i><sup>  </sup> or an interim review as discussed in AU-C section 930, <i>Interim Financial Information</i>, when the review of interim financial information meets the provisions of that section.<sup>29</sup> Although AU section 722 does not require an accountant to issue a written report on a review of interim financial information, the SEC requires the report to be filed if, in any filing, the entity states that the interim financial information has been reviewed by an independent public accountant.<sup>340</sup></p>

<sup>‡</sup> PCAOB AU sections can be found in AICPA PCAOB Standards and Related Rules.

<sup>||</sup> All AR-C sections can be found in AICPA Professional Standards

<sup>29</sup> Paragraph .04 of AR-C section 90, *Review of Financial Statements*.

<sup>340</sup> Paragraph .03 of AU section 722, *Interim Financial Information*.

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>information is included in the document pursuant to paragraph .08a.</p> <p>c. will be able to obtain an appropriate level of knowledge of the accounting and financial reporting practices of the entity (or in the case of a business combination, of each significant constituent part of the combined entity) that will enable the practitioner to perform the procedures necessary to report on the pro forma financial information.</p>	
<p><b>.09</b> The level of service provided by the practitioner on the pro forma financial information should not exceed that provided on the related historical financial statements. An examination can be performed on pro forma financial information only if the related historical financial statements were audited. A <u>limited assurance engagement review</u> can be performed on pro forma financial information only if the related historical financial statements were audited or reviewed. In the case of a business combination, the level of service provided by the practitioner on the pro forma financial information should not exceed the lowest level of service provided on the underlying historical financial statements of any significant constituent part of the combined entity. (Ref: par. .A9)</p>	<p><b>.A9</b> If the underlying historical financial statements of the entity (or, in the case of a business combination, of each significant constituent part of the combined entity) have been audited at year-end and reviewed at an interim date, the practitioner may perform an examination or <u>limited assurance engagement</u> that addresses <del>a review of</del> the pro forma financial information at year-end, but is limited to performing a <u>limited assurance engagement review that addresses of</u> the pro forma financial information at the interim date.</p>
<p><del><b>Requesting a Written Assertion</b></del></p> <p><del><b>.10</b> The practitioner should request from management a written assertion. If management refuses to provide a written assertion, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation (Ref: par. .A10)</del></p>	<p><del><b>Requesting a Written Assertion (Ref: par. .10)</b></del></p> <p><del><b>.A10</b> Paragraph .10 applies regardless of whether the responsible party is the engaging party.</del></p>
<p><b>Assessing the Suitability of the Criteria</b></p>	<p><b>Assessing the Suitability of the Criteria (Ref: par. <u>.10-11bii</u>)</b></p>

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b><u>.10</u> <del>.11</del></b> As required by section 105, the practitioner should determine whether management has used suitable criteria in preparing and presenting the pro forma financial information<sup>42</sup> In assessing the suitability of the criteria, the practitioner should determine whether the criteria include, at a minimum, that</p> <ul style="list-style-type: none"> <li>a. the financial information be extracted from audited or reviewed historical financial statements;</li> <li>b. the pro forma adjustments be               <ul style="list-style-type: none"> <li>i. directly attributable to the transaction (or event),</li> <li>ii. factually supportable, (Ref: par. <del>.A10-A11</del>)</li> <li>iii. consistent with the entity’s applicable financial reporting framework and its accounting policies under that framework; and</li> </ul> </li> <li>c. the pro forma financial information be appropriately presented and include disclosures that enable intended users to understand the information conveyed.</li> </ul>	<p><b><u>.A10</u> <del>.A11</del></b> Management is responsible for having factually supportable pro forma adjustments. The pro forma adjustments are factually supportable if the preponderance of the information supports each significant assumption underlying the adjustments.</p>
<p><b>Understanding the Entity’s Accounting and Financial Reporting Policies</b></p> <p><b><u>.11</u> <del>.12</del></b> The practitioner who is reporting on the pro forma financial information should have or obtain an appropriate level of knowledge of the accounting and financial reporting practices of the entity (or, in the case of a business combination, each significant constituent part of the combined entity). (Ref: par. <del>.A11-A12</del>)</p>	<p><b>Understanding the Entity’s Accounting and Financial Reporting Policies (Ref: par. <u>.11</u> <del>.12</del>)</b></p> <p><b><u>.A11</u> <del>.A12</del></b> Procedures to obtain knowledge of each significant constituent part of the combined entity in a business combination may include communicating with other practitioners who have audited or reviewed the historical financial information on which the pro forma financial information is based. Matters that may be considered include</p> <ul style="list-style-type: none"> <li>• accounting principles and financial reporting practices followed;</li> </ul>

<sup>42</sup> Paragraph .25c~~ii~~ of section 105.

**AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Examination and <u>Limited Assurance</u> <del>Review</del> Procedures</b></p> <p><del>.12</del> <b>.13</b> The procedures the practitioner should apply to the assumptions and pro forma adjustments for either an examination or a <u>limited assurance</u> <del>review</del> engagement are as follows:</p> <ol style="list-style-type: none"> <li>a. Obtain an understanding of the underlying transaction (or event). (Ref: par. <del>.A12</del> <del>.A13</del>)</li> <li>b. Obtain an understanding of the accounting and financial reporting practices of each significant constituent part of the combined entity in a business combination that will enable the practitioner to perform the required procedures. If another practitioner has performed an audit or a review of the most recent annual or interim period for which the pro forma financial information is presented (or the most recent annual or interim period of a significant constituent part of the combined entity), the need, by a practitioner reporting on the pro forma financial information, for an understanding of such entity’s accounting and financial reporting practices is not diminished. In such circumstances, the practitioner should consider whether the practitioner can acquire sufficient knowledge of these matters to perform the procedures necessary to report on the pro forma financial information.</li> <li>c. Discuss with management their assumptions regarding the effects of the transaction (or event).</li> <li>d. Evaluate whether pro forma adjustments are included for all significant effects directly attributable to the transaction (or event).</li> </ol>	<ul style="list-style-type: none"> <li>• transactions between the entities;</li> <li>• material contingencies; and</li> <li>• relevant industry, legal and regulatory, and other external factors pertaining to the entity and any acquiree or divestee.</li> </ul> <p><b>Examination and <u>Limited Assurance</u> <del>Review</del> Procedures (Ref: par. <del>.12</del> <del>.13a</del> and e)</b></p> <p><del>.A12</del> <del>.A13</del> An understanding of the underlying transaction (or event) may be obtained, for example, by reading relevant contracts and minutes of meetings of the board of directors and by making inquiries of appropriate officials of the entity, and, if considered necessary in the circumstances, of the entity acquired or to be acquired.</p> <p><del>.A13</del> <del>.A14</del> The evidence required to support the level of assurance obtained is a matter of professional judgment. Sections 205 and 210</p>

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>e.</i> Obtain sufficient evidence in support of such adjustments. (Ref: par. <del>A13-A14</del>)</p> <p><i>f.</i> Evaluate whether management’s assumptions that underlie the pro forma adjustments are presented in a sufficiently clear and comprehensive manner.</p> <p><i>g.</i> Evaluate whether the pro forma adjustments are consistent with each other and with the data used to develop them.</p> <p><i>h.</i> Evaluate whether computations of pro forma adjustments are mathematically correct and whether the pro forma column reflects the proper application of those adjustments to the historical financial statements.</p> <p><i>i.</i> Read the pro forma financial information and evaluate whether</p> <ul style="list-style-type: none"> <li><i>i.</i> the underlying transaction (or event), the pro forma adjustments, the significant assumptions, and the significant uncertainties, if any, about those assumptions have been appropriately described.</li> <li><i>ii.</i> the source of the historical financial information on which the pro forma financial information is based has been appropriately identified.</li> </ul>	<p>provide guidance about the evidence to be obtained in examination and <u>limited assurance review</u> engagements, respectively. Examples of evidence that the practitioner might consider obtaining are purchase, merger or exchange agreements, appraisal reports, debt agreements, employment agreements, actions of the board of directors, and existing or proposed legislation or regulatory actions.</p>
<p><b>Written Representations in an Examination and <u>Limited Assurance Review</u> Engagement</b></p> <p><del>13-14</del> In addition to the written representations from management required by section 205 for an examination engagement or by section 210 for a <u>limited assurance review</u> engagement, the practitioner should request written representations from management that<sup>53</sup></p>	

<sup>53</sup> Paragraph .50 of section 205 and paragraph ~~34-33~~ of section 210, Limited Assurance Review Engagements.

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>a. <u>management</u> <del>it</del> is responsible for the assumptions used in determining the pro forma adjustments;</p> <p>b. the assumptions are factually supportable;</p> <p>c. the assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts;</p> <p>d. the pro forma adjustments are consistent with the entity’s applicable financial reporting framework and its accounting policies under that framework; and</p> <p>e. <u>management is responsible</u> for the pro forma financial information <u>and that it</u> is appropriately presented and discloses the significant effects directly attributable to the transaction (or event). (See paragraph <del>.10-11</del>c.)</p>	
<p><del>.14 15</del> In an examination or a <u>limited assurance review</u> engagement, the practitioner should request from management the written representations required by section 205 or section 210, as applicable, and paragraph <del>.13 14</del> of this section, even if the engaging party is not management. <del>The alternative to obtaining the required written representations provided for in sections 205 and 210 is not permitted in an engagement to examine or review pro forma financial information.</del><sup>4</sup> <u>In this examination engagement, management's refusal to furnish the written representations required by section 205 and paragraph <del>.13 14</del> of this section constitutes a limitation on the scope of the examination engagement. Such refusal is often</u> sufficient to preclude an unmodified opinion and may be sufficient to cause the</p>	

<sup>4</sup> ~~Paragraph .51 of section 205 and paragraph 34 of section 210.~~

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>practitioner to withdraw from the examination engagement, when withdrawal is possible under applicable laws and regulations.<sup>65</sup> <u>In a limited assurance engagement, M</u>management’s refusal to furnish the written representations required by section 210 and paragraph <u>13+4</u> of this section constitutes a limitation on the scope of the <u>limited assurance review</u> engagement sufficient to cause the practitioner to withdraw from the <u>limited assurance review</u> engagement.<sup>76</sup></p>	
<p><b>Reporting</b></p> <p><u>15 16</u>The practitioner’s report on pro forma financial information may be added to the practitioner’s report on historical financial information, or it may appear separately. If the reports are combined and the date of completion of the procedures for the examination or <u>limited assurance engagement that addresses review of</u> the pro forma financial information is after the date the practitioner obtained the evidence necessary to issue a report on the audit or review of the historical financial information, the combined report should be dual-dated. (Ref: par. <u>A14-A15</u>)</p>	<p><b>Reporting (Ref: par. <u>15+6</u>)</b></p> <p><u>A14 A15</u> The following is an example of how the report would be dual dated: February 15, 20X2, except for the paragraphs regarding pro forma financial information for which the date is March 20, 20X2.</p>
<p><b>Content of the Practitioner’s Examination Report</b></p> <p><u>16 17</u>The practitioner’s examination report on pro forma financial information should include the following, unless the practitioner is disclaiming an opinion, in which case, items <u>16+7j</u> and <u>16+7k</u> should be omitted: (Ref: par. <u>A15-A16</u>)</p>	<p><b>Content of the Practitioner’s Examination Report (Ref: par. <u>16+7</u>)</b></p> <p><u>A15 A16</u> The list of elements in paragraph <u>16+7</u> constitutes all the required elements for a practitioner’s examination report on pro forma financial information, including the elements required by section</p>

<sup>65</sup> Paragraphs 50, 54, 55, and A68, A64 of section 205.

<sup>76</sup> Paragraphs 33, 38e and A55of section 210.



<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>j.</i> <u>A statement that</u> the practitioner’s responsibility <u>is</u> to express an opinion on the pro forma financial information based on the practitioner’s examination.</p> <p><del><i>k.</i></del> A statement that</p> <p style="padding-left: 20px;">i. the practitioner’s examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. <u>(Ref: par. .A17)</u></p> <p style="padding-left: 20px;">ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether, in accordance with (or based on) the criteria</p> <p style="padding-left: 40px;">(1) management’s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event),</p> <p style="padding-left: 40px;">(2) and, in all material respects,</p> <p style="padding-left: 60px;">(a) the related pro forma adjustments give appropriate effect to those assumptions, and</p> <p style="padding-left: 60px;">(b) the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts.</p> <p style="padding-left: 20px;">iii. an examination involves performing procedures to obtain evidence about</p> <p style="padding-left: 40px;">(1) management’s assumptions, (Ref: par. .A18)</p> <p style="padding-left: 40px;">(2) the related pro forma adjustments, and</p> <p style="padding-left: 40px;">(3) the pro forma amounts.</p> <p style="padding-left: 20px;">iv. the practitioner believes that the evidence the practitioner obtained is sufficient and appropriate to provide a reasonable basis for the practitioner’s opinion.</p>	<p><b><u>Standards Under Which Engagement Was Performed (Ref: par. .16ki)</u></b></p> <p><b><u>.A17 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, AT-C section 310, Reporting on Pro Forma Financial Information, of the attestation standards established by the American Institute of Certified Public Accountants.</u></b></p> <p><b><u>Statement That Examination Involves Performing Procedures to Obtain Evidence About Management’s Assumptions (Ref: par. .1617k<del>j</del>iii[1])</u></b></p> <p><b>.A18</b> Because a business combination accounted for in a manner similar to a pooling-of interests combines the historical amounts of the combined entities retroactively, pro forma adjustments for a transaction that is not yet reflected in the historical financial statements or a proposed transaction generally affect only the equity section of the pro forma condensed balance sheet. Such business combinations would not ordinarily involve a choice of assumptions by management. Accordingly, a practitioner’s report on a business</p>

**AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><del>l</del>. A description of the objectives and limitations of pro forma financial information</p> <p><u>m</u>. <u>A statement that the practitioner is independent and has fulfilled the practitioner’s other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.</u></p> <p><del>n</del>. The practitioner’s opinion about whether, in accordance with (or based on) the criteria</p> <p style="margin-left: 20px;">i. management’s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the transaction (or event), (Ref: par. .A19)</p> <p style="margin-left: 20px;">ii. and, in all material respects</p> <p style="margin-left: 40px;">(1) the related pro forma adjustments give appropriate effect to those assumptions, and</p> <p style="margin-left: 40px;">(2) the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts.</p> <p><del>o</del><del>##</del>. When the circumstances identified in section 205 are applicable, an alert, in a separate paragraph, that restricts the use of the report or describes the purpose of the report, as applicable.<sup>78</sup></p> <p><del>p</del>. The manual or printed signature of the practitioner’s firm.</p> <p><del>q</del><del>o</del>. The city and state where the practitioner practices.</p> <p><del>r</del><del>p</del>. The date of the report. (The report should be dated no earlier than the date on which the practitioner has obtained sufficient</p>	<p>combination that will be accounted for in a manner similar to a pooling-of-interests need not address management’s assumptions unless the pro forma financial information includes adjustments to conform the accounting principles of the combining entities or gives effect to other transactions (for example, a new contractual arrangement or reduction in interest expense attributable to repayment of debt).</p> <p><b><i>Opinion About Management’s Assumptions (Ref: par. .16-17<del>ni</del>)</i></b></p> <p><b>.A19</b> Uncertainty about whether the transaction (or event) will be consummated would not ordinarily require a modification of the practitioner’s report.</p>

<sup>8</sup> Paragraph ~~64.63~~ of section 205.

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>appropriate evidence on which to base the practitioner’s opinion, including evidence that</p> <ul style="list-style-type: none"> <li>i the attestation documentation has been reviewed,</li> <li>ii. the pro forma financial information has been prepared, and</li> <li>iii. <u>the appropriate party management has provided all necessary representations a written assertion.</u></li> </ul>	
<p><b>Content of the Practitioner’s <u>Limited Assurance Review Report</u></b></p> <p><del>.17-18</del> The practitioner’s <u>limited assurance review</u> report on pro forma financial information should include the following: (Ref: par. .A20)</p> <ul style="list-style-type: none"> <li>a. A title that includes the word <i>independent</i>.</li> <li>b. An appropriate addressee as required by the circumstances of the engagement.</li> <li>c. A reference to the pro forma adjustments included in the pro forma financial information.</li> <li>d. A reference to management’s description of the transaction (or event) to which the pro forma adjustments give effect. (The description is included in the pro forma financial information.)</li> <li>e. An identification or description of the pro forma financial information being reported on, including the point in time or period of time to which the measurement or evaluation of the pro forma financial information relates.</li> <li>f. An identification of the criteria against which the pro forma financial information was measured or evaluated.</li> </ul>	<p><b>.A20</b> The list of elements in paragraph <del>.17-18</del> constitutes all the required elements for a practitioner’s report on a <u>limited assurance engagement that addresses review</u> of pro forma financial information, including the elements required by section 210.<sup>12</sup> Application guidance regarding the elements of a <u>limited assurance review</u> report is included in section 210.<sup>13</sup></p>

<sup>12</sup> Paragraphs .46-.49 of section 210.

<sup>13</sup> Paragraphs ~~.A72-.A97-.A61-.A80~~ of section 210.



**AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>ii. those standards require that the practitioner plan and perform the engagement <del>review</del> to obtain limited assurance about whether, <del>in accordance with (or based on) the criteria,</del> any material modifications should be made to</p> <ol style="list-style-type: none"> <li>(1) management’s assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), (Ref: par. .A23<del>-A22</del>)</li> <li>(2) the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or</li> <li>(3) the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts.</li> </ol> <p><del>i-iii. A statement that the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent a review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether, in accordance with (or based on) the criteria, management’s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial</del></p>	<p><b><i>Statement That the Practitioner Plans and Performs <u>Engagement Review</u> to Obtain Limited Assurance About Management’s Assumptions (Ref: par. .17<del>18</del>k<del>ii</del>[1])</i></b></p> <p><b>.A23 <del>A22</del></b> Because a business combination accounted for in a manner similar to a pooling-of interests combines the historical amounts of the combined entities retroactively, pro forma adjustments for a transaction that is not yet reflected in the historical financial statements or a proposed transaction generally affect only the equity section of the pro forma condensed balance sheet. Such business combinations would not ordinarily involve a choice of assumptions by management. Accordingly, a practitioner’s report on a business combination that will be accounted for in a manner similar to a pooling-of-interests need not address management’s assumptions unless the pro forma financial information includes adjustments to conform the accounting principles of the combining entities or gives effect to other transactions (for example, a new contractual arrangement or reduction in interest expense attributable to a repayment of debt).</p>

**AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><del>statement amounts in order to express an opinion. Accordingly, the practitioner does not express such an opinion. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed</del></p> <p><del>miv.</del> <u>A statement that the practitioner believes that the limited assurance evidence the practitioner<sup>2</sup>s obtained is sufficient and appropriate to review provides a reasonable basis for the practitioner's conclusion.</u></p> <p><del>nk.</del> A description of the objectives and limitations of pro forma financial information.</p> <p><u>o. A statement that the practitioner is independent and has fulfilled the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the limited assurance engagement.</u></p> <p><u>p. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the matters in paragraph .17kii</u></p> <p><u>q. a description of the work performed as the basis for the practitioner's conclusion</u></p> <p><del>r.</del> The practitioner's conclusion about whether, <del>in accordance with (or based on)</del> the <u>limited assurance engagement review and based on the criteria</u>, the practitioner is aware of any material modifications that should be made to</p> <ol style="list-style-type: none"> <li>i. management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), (Ref: par. <del>A23.</del>A24)</li> <li>ii. the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or</li> </ol>	<p><b>Conclusion About Management's Assumptions (Ref: par. <del>.17-18r</del>)</b> <b><u>.A24</u> <del>A23</del></b> Uncertainty about whether the transaction (or event) will be consummated would not ordinarily require a modification of the practitioner's report.</p>

<b>AT-C Section 310, Reporting on Pro Forma Financial Information (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>iii. the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts.</p> <p><del>5##.</del> When the circumstances identified in section 210 are applicable, an alert, in a separate paragraph, that restricts the use of the report or describes the purpose of the report, as applicable.<sup>118</sup></p> <p><del>6##.</del> The manual or printed signature of the practitioner’s firm.</p> <p><del>7##.</del> The city and state where the practitioner practices.</p> <p><del>8##.</del> The date of the report. The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate <del>review</del> <u>limited assurance</u> evidence on which to base the practitioner’s conclusion, including <u>limited assurance</u> evidence that</p> <ol style="list-style-type: none"> <li>i. the attestation documentation has been reviewed,</li> <li>ii. the pro forma financial information has been prepared, and</li> <li><del>iii. management has provided a written assertion.</del> <u>the appropriate party has provided all necessary representations.</u></li> </ol>	

~~A25~~ ~~A24~~

**Exhibit—Illustrative Practitioner’s Reports for Examinations and Limited Assurance Engagements ~~Reviews~~ That Address ~~of~~ Pro Forma Financial Information**

<sup>118</sup> Paragraph 47e of section 210.

The illustrative practitioner’s examination reports in this exhibit (examples 1, 3, 4, 5, and 6) meet the reporting requirements of section 205, *Examination Engagements*, and of paragraph ~~.16-17~~ of this section.<sup>14</sup> A practitioner may use alternative language in drafting an examination report, provided that the language meets the applicable requirements of section 205 and paragraph ~~.16-17~~ of this section.<sup>15</sup>

The illustrative practitioner’s limited assurance review reports in this exhibit (examples 2 and 3) meet the applicable reporting requirements of section 210, *Limited Assurance Review Engagements*, and of paragraph ~~.17-18~~ of this section.<sup>16</sup> A practitioner may use alternative language in drafting a limited assurance review report, provided that the language meets the applicable requirements of section 210 and paragraph ~~.17-18~~ of this section.<sup>17</sup>

The language in these illustrative examination and limited assurance review reports assume that one column of pro forma financial information is presented without presenting separate columns of historical financial information and pro forma adjustments.

### **Example 1: Practitioner’s Examination Report on Pro Forma Financial Information: Unmodified Opinion**

#### **Independent Accountant’s Report**

[Appropriate Addressee]

We have examined the pro forma adjustments giving effect to the underlying transaction (or event) described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were audited by other accountants, appearing elsewhere herein [*or “and are readily available”*]. The pro forma adjustments are based on management’s assumptions described in Note 1. X Company’s management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma financial information based on our examination.

<sup>14</sup> Paragraphs ~~.59-80-61-84~~ of section 205, *Examination Engagements*.

<sup>15</sup> See footnote 1 Paragraphs ~~.61-84~~ of section 205.

<sup>16</sup> Paragraphs ~~.43-59-44-60~~ of section 210, *Limited Assurance Review Engagements*.

<sup>17</sup> See footnote 3.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, based on the criteria in Note 1, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts. An examination involves performing procedures to obtain evidence about management's assumptions, the related pro forma adjustments, and the pro forma amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the pro forma financial information, 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.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the underlying transaction (or event) occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction (or event) actually occurred at such earlier date.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the underlying transaction (or event) occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction (or event) actually occurred at such earlier date.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

In our opinion, based on the criteria in Note 1, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the abovementioned transaction (or event) described in Note 1, and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended.

*[Practitioner's signature]*

*[Practitioner's city and state]*

[Date of practitioner's report]

**Example 2: Practitioner's Limited Assurance Review Report on Pro Forma Financial Information: Unmodified Conclusion  
Independent Accountant's Report**

[Appropriate Addressee]

We have undertaken a limited assurance engagement reviewed of the pro forma adjustments giving effect to the transaction (or event) described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended (pro forma financial information), based on the criteria in Note 1. These historical condensed financial statements are derived from the historical unaudited financial statements of X Company, which were reviewed by us, and of Y Company, which were reviewed by other accountants,<sup>18</sup> appearing elsewhere herein [*or "and are readily available"*]. The pro forma adjustments are based on management's assumptions as described in Note 1. X Company's management is responsible for the preparation of the pro forma financial information based on the criteria in Note 1. Our responsibility is to express a conclusion on the pro forma financial information based on our limited assurance engagement review.

~~We~~ ~~Our review was~~ conducted our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the engagement ~~our review~~ to obtain limited assurance about whether, based on the criteria in Note 1, any material modifications should be made to management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event); the related pro forma adjustments, in order for them to give appropriate effect to those assumptions; or the pro forma amounts, in order for them to reflect the proper application of those adjustments to the historical financial statement amounts.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, an examination. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether, based on the criteria, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all

<sup>18</sup> When one set of historical financial statements is audited and the other set is reviewed, wording similar to the following would be appropriate: The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were reviewed by other accountants, appearing elsewhere herein [*or "and are readily available"*].

~~material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts, in order to express an opinion. Accordingly, we do not express such an opinion.~~ We believe that the evidence we obtained is sufficient and appropriate to our review provides a reasonable basis for our conclusion.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the underlying transaction (or event) occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction (or event) actually occurred at such earlier date.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the engagement.

The procedures we performed were based on our professional judgment and included [for example, inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records].

[The practitioner may insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the basis for the practitioner's conclusion.]

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

Based on our limited assurance engagement review, we are not aware of any material modifications that should be made to management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction (or event) described in Note 1, the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or the pro forma amounts, in order for them to reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended, based on the criteria in Note 1.

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]

**Example 3: Practitioner’s Examination Report on Pro Forma Financial Information at Year-End With a Limited Assurance Review of Report on Pro Forma Financial Information for a Subsequent Interim Date: Unmodified Opinion and Unmodified Conclusion**

**Independent Accountant’s Report**

*[Appropriate Addressee]*

We have examined the pro forma adjustments giving effect to the transaction (or event) described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended (pro forma financial information) based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were audited by other accountants, appearing elsewhere herein [*or “and are readily available”*]. The pro forma adjustments are based on management’s assumptions described in Note 1. X Company’s management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma financial information based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, based on the criteria in Note 1, management’s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts. An examination involves performing procedures to obtain evidence about management’s assumptions, the related pro forma adjustments, and the pro forma amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the pro forma financial information, whether due to fraud or error. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In addition, we have undertaken a limited assurance engagement reviewed of the pro forma adjustments and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of March 31, 20X2,

and the related pro forma condensed statement of income for the three months then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were reviewed by us, and of Y Company, which were reviewed by other accountants,<sup>19</sup> appearing elsewhere herein [*or “and are readily available”*]. The pro forma adjustments are based on management’s assumptions as described in Note 1. X Company’s management is responsible for the pro forma financial information based on the criteria in Note 1. Our responsibility is to express a conclusion on the pro forma financial information based on our limited assurance ~~review~~ engagement.

~~We~~ ~~Our review was conducted~~ our limited assurance engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the engagement ~~our review~~ to obtain limited assurance about whether, based on the criteria in Note 1, any material modifications should be made to management’s assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event); the related pro forma adjustments, in order for them to give appropriate effect to those assumptions; or the pro forma amounts, in order for them to reflect the proper application of those adjustments to the historical financial statement amounts.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than, an examination. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether, based on the criteria, management’s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts, in order to express an opinion. Accordingly, we do not express such an opinion on the pro forma adjustments or on the application of such adjustments to the pro forma condensed balance sheet as of March 31, 20X2, and the pro forma condensed statement of income for the three months then ended. We believe that the evidence we obtained is sufficient and appropriate to ~~our review~~ provides a reasonable basis for our conclusion.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the examination and limited assurance engagements.

---

<sup>19</sup> When one set of historical financial statements is audited and the other set is reviewed, wording similar to the following would be appropriate:

The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were reviewed by other accountants, appearing elsewhere herein [*or “and are readily available”*].

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the underlying transactions (or event) occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction (or event) actually occurred at such earlier date.

The procedures we performed as part of our limited assurance engagement were based on our professional judgment and included [for example, inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records].

[The practitioner may insert a summary of the nature and extent of procedures performed that, in the practitioner's judgment, provides additional information that may be relevant to the users' understanding of the basis for the practitioner's conclusion.]

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

In our opinion, based on the criteria in Note 1, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the abovementioned transaction (or event) described in Note 1, and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended.

Based on our limited assurance engagement review, we are not aware of any material modifications that should be made to management's assumptions in order for them to provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction (or event) described in Note 1, the related pro forma adjustments in order for them to give appropriate effect to those assumptions, or the pro forma amounts in order for them to reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of March 31, 20X2, and the related pro forma condensed statement of income for the three months then ended based on the criteria in Note 1.

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]

**Example 4: Practitioner’s Examination Report: Qualified Opinion Because of a Scope Limitation**

**Independent Accountant’s Report**

[Appropriate Addressee]

We have examined the pro forma adjustments giving effect to the transaction (or event) described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were audited by other accountants, appearing elsewhere herein [*or “and are readily available”*]. The pro forma adjustments are based upon management’s assumptions described in Note 1. X Company’s management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma financial information based on our examination.

Except as discussed below, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, based on the criteria in Note 1, management’s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the underlying transaction (or event), and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts. An examination involves performing procedures to obtain evidence about management’s assumptions, the related pro forma adjustments, and the pro forma amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the pro forma financial information, 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 were unable to perform the examination procedures we considered necessary with respect to the assumptions relating to the proposed loan described in Adjustment E in Note 1.

The objective of this pro forma financial information is to show what the significant effects on the historical financial information might have been had the underlying transaction (or event) occurred at an earlier date. However, the pro forma condensed financial

statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned transaction (or event) actually occurred at such earlier date.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

In our opinion, based on the criteria in Note 1, except for the effects of such changes, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the assumptions relating to the proposed loan, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction (or event) described in Note 1, and, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

**Example 5: Practitioner's Examination Report: Qualified Opinion Because of Reservations About the Propriety of the Assumptions Independent Accountant's Report**

*[Appropriate Addressee]*

*[Same first four ~~three~~ paragraphs as examination report in example 1.]*

As discussed in Note 1 to the pro forma financial statements, the pro forma adjustments reflect management's assumption that X Division of the acquired company will be sold. The net assets of this division are reflected at their historical carrying amount; generally accepted accounting principles require these net assets to be recorded at fair value less cost to sell.

In our opinion, based on the criteria in Note 1, except for inappropriate valuation of the net assets of X Division, management's assumptions described in Note 1 provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction (or event) described in Note 1, and, in all material respects, the related pro forma adjustments give appropriate

effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of the practitioner's report]*

### **Example 6: Practitioner's Examination Report: Disclaimer of Opinion Because of a Scope Limitation**

#### **Independent Accountant's Report**

*[Appropriate Addressee]*

We were engaged to examine the pro forma adjustments giving effect to the transaction (or event) described in Note 1 and the application of those adjustments to the historical amounts in the accompanying pro forma financial condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended (pro forma financial information), based on the criteria in Note 1. The historical condensed financial statements are derived from the historical financial statements of X Company, which were audited by us, and of Y Company, which were audited by other accountants, appearing elsewhere herein [*or "and are readily available"*]. The pro forma adjustments are based on management's assumptions described in Note 1. X Company's management is responsible for the pro forma financial information.

As discussed in Note 1 to the pro forma financial statements, the pro forma adjustments reflect management's assumptions that the elimination of duplicate facilities would have resulted in a 30 percent reduction in operating costs. Management could not supply us with sufficient evidence to support this assertion.

*[The ~~second~~ ~~third~~ paragraph in the practitioner's examination report in example 1 is intentionally omitted from the report with a disclaimer of opinion.]*

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

Because we were unable to evaluate management's assumptions regarding the reduction in operating costs and other assumptions related thereto, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether, based on the criteria in Note 1, management's assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned transaction (or event) described in Note 1, or on whether, in all material respects, the related pro forma adjustments give appropriate effect to those assumptions, and the pro forma amounts reflect the proper application of those adjustments to the historical financial statement amounts in the pro forma condensed balance sheet of X Company as of December 31, 20X1, and the related pro forma condensed statement of income for the year then ended.

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

<b>AT-C Section 315, <i>Compliance Attestation</i> (Marked from Extant)</b>	
<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><b>Introduction</b></p> <p><b>.01</b> This section contains performance and reporting requirements and application guidance for a practitioner (Ref: par. .A1–.A3)</p> <ul style="list-style-type: none"> <li>a. examining an entity’s compliance with requirements of specified laws, regulations, rules, contracts, or grants (specified requirements) or an assertion about compliance with specified requirements.</li> <li>b. performing agreed-upon procedures related to an entity’s compliance with specified requirements.</li> <li>c. performing agreed-upon procedures related to an entity’s internal control over compliance with specified requirements.</li> </ul>	<p><b>Introduction (Ref: par. .01 and .02b)</b></p> <p><b>.A1</b> Compliance requirements may be either financial or nonfinancial in nature.</p> <p><b>.A2</b> The criteria for evaluating or measuring compliance with specified requirements ordinarily are included in the specified requirements but may be otherwise identified.</p> <p><b>.A3</b> A practitioner may be engaged to provide other types of services in connection with an entity’s compliance with specified requirements or its internal control over compliance with specified requirements. For example, the practitioner may be engaged to provide recommendations on how to improve the entity’s compliance or related internal control. Such an engagement is governed by the guidance in CS section 100, <i>Consulting Services: Definitions and Standards</i>.*</p>
<p><b>.02</b> This section does not apply to</p> <ul style="list-style-type: none"> <li>a. <u>limited assurance engagements</u> <del>reviews</del> <u>that address</u> compliance with specified requirements or an entity’s internal control over compliance or an assertion thereon because section 210, <i>Limited Assurance <del>Review</del> Engagements</i>,<sup>‡</sup> specifically prohibits such engagements.<sup>1</sup></li> </ul>	<p><b>.A4</b> An engagement to examine internal control over compliance is governed by sections 105 and 205. Additionally, AU-C section 940, <i>An Audit of an Entity’s Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements</i>,<sup>‡</sup> may be helpful to a practitioner in such an engagement.</p>

\* CS sections can be found in *AICPA Professional Standards*.

‡ All AT-C sections can be found in *AICPA Professional Standards*.

<sup>1</sup> Paragraph .07 of section 210 *Limited Assurance ~~Review~~ Engagements*.

‡ *AU-C sections can be found in AICPA Professional Standards*.

**AT-C Section 315, *Compliance Attestation* (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>b. examination engagements in which a practitioner is reporting on an entity’s internal control over compliance with specified requirements. (Ref: par. .A4)</p> <p>c. situations in which an auditor reports on specified requirements based solely on an audit of financial statements, as addressed in AU-C section 806, <i>Reporting on Compliance With Aspects of Contractual Agreements or Regulatory Requirements in Connection With Audited Financial Statements</i>.</p> <p>d. engagements in which a governmental audit requirement requires an auditor to express an opinion on compliance in accordance with AU-C section 935, <i>Compliance Audits</i>.</p> <p><b>.03</b> A practitioner’s report issued in accordance with the provisions of this section does not provide a legal determination of an entity’s compliance with specified requirements. However, such a report may be useful to legal counsel or others in making such determinations.</p>	
<p><b>.04</b> In addition to complying with this section, a practitioner is required to comply with section 105, <i>Concepts Common to All Attestation Engagements</i>, and either section 205, <i>Examination Engagements</i>, for examinations of compliance, or section 215, <i>Agreed-Upon Procedures Engagements</i>, for agreed-upon procedures engagements that address compliance. In some cases, this section repeats or refers to requirements found in sections 105, 205, and 215 when describing those requirements in the context of engagements that address compliance. Although not all the requirements in sections 105, 205, and 215 are repeated or referred to in this section, the practitioner is responsible for complying with all the requirements in sections 105 and 205 or 105 and 215, as applicable.</p>	

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Effective Date</b> .05 This section is effective for practitioners’ examination reports on compliance with specified requirements and for practitioners’ agreed-upon procedures reports related to compliance or internal control over compliance with specified requirements dated on or after May 1, 2020<del>17</del>.</p>	
<p><b>Objectives of an Examination Engagement</b> .06 In conducting an examination of an entity’s compliance with specified requirements, the objectives of the practitioner are to (Ref: par. .A5)</p> <ul style="list-style-type: none"> <li>a. obtain reasonable assurance about whether the entity complied with the specified requirements, in all material respects,</li> <li>b. express an opinion in a written report about whether             <ul style="list-style-type: none"> <li>i. the entity complied with the specified requirements, in all material respects, or</li> <li>ii. management’s assertion about its compliance with the specified requirements is fairly stated, in all material respects.</li> </ul> </li> </ul>	<p><b>Objectives of an Examination Engagement (Ref: par. .06)</b> .A5 For the purposes of this section, the responsible party is management of the entity for which the practitioner is reporting on compliance.</p>
<p><b>Objectives of an Agreed-Upon Procedures Engagement</b> .07 In conducting an agreed-upon procedures engagement for which the subject matter is compliance or internal control over compliance with specified requirements, the objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. apply <u>procedures</u> to an entity’s compliance with specified requirements or an entity’s internal control over compliance with specified requirements <del>procedures that are established by specified parties who are responsible for the sufficiency of the procedures for their purposes and</del></li> </ul>	

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>b. issue a written report that describes the procedures applied and the practitioner’s findings.</p>	
<p><b>Definitions</b> .08 For the purposes of this section, the following terms have the meanings attributed as follows:</p> <p><b>Compliance with specified requirements.</b> An entity’s compliance with specified laws, regulations, rules, contracts, or grants.</p> <p><b>Internal control over compliance.</b> An entity’s internal control over compliance with specified requirements. The internal control addressed in this section may include part of, but is not the same as, internal control over financial reporting. (Ref: par. .A6)</p> <p><b>Material noncompliance.</b> A failure to follow compliance requirements or a violation of prohibitions included in the specified requirements that results in noncompliance that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance. (Ref: par. .A7)</p>	<p><b>Definitions</b></p> <p><b>Internal Control Over Compliance</b> .A6 An entity’s internal control over compliance is the process by which management obtains reasonable assurance of compliance with specified requirements. Although management’s internal control may include a wide variety of objectives and related policies and procedures, only some of these may be relevant to an entity’s compliance with specified requirements. An entity’s internal control over compliance may vary based on the nature of the compliance requirements. For example, internal control over compliance with a capital requirement would generally include accounting procedures, whereas internal control over compliance with a requirement to practice nondiscriminatory hiring may not include accounting procedures.</p> <p><b>Material Noncompliance</b> .A7 Government requirements or other requirements may define material noncompliance for the purpose of the engagement.</p>
<p><b>Requirements</b></p>	

**AT-C Section 315, *Compliance Attestation* (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Preconditions for Examination Engagements</b></p> <p><b>.09</b> In order to accept an attestation engagement to <del>examine</del> compliance with specified requirements, in addition to the preconditions for an examination engagement in sections 105 and 205, the practitioner should determine that <sup>2</sup> <del>(Ref: par. A8–A9) a</del> management accepts responsibility for the entity’s compliance with specified requirements and the entity’s internal control over compliance. <u>(Ref: par. .A8–A9)</u></p> <p><del>b. management evaluates the entity’s compliance with specified requirements. (Ref: par. .A9)</del></p>	<p><b>Preconditions for Examination Engagements (Ref: par. .09–.10)</b></p> <p><b>.A8</b> Management is responsible for ensuring that the entity complies with the requirements applicable to its activities. That responsibility encompasses the following:</p> <ul style="list-style-type: none"> <li>a. Identifying <u>and complying with</u> the specified requirements</li> <li>b. Designing, implementing, and maintaining internal control to provide reasonable assurance that the entity complies with those requirements</li> <li><del>e. Evaluating and monitoring the entity’s compliance</del></li> <li><u>c.</u><del>d</del> Specifying reports that satisfy legal, regulatory, or contractual requirements</li> </ul> <p><b>.A9</b> <u>In carrying out its responsibilities, management will ordinarily have</u> <del>Management’s evaluation may include</del> documentation <u>regarding its compliance</u>, such as accounting or statistical data, entity policy manuals, accounting manuals, narrative memoranda, procedural write-ups, flowcharts, completed questionnaires, or internal auditors’ reports. The form and extent of documentation will vary depending on the nature of the compliance requirements and the size and complexity of the entity.</p>
<p><del><b>.10</b> In performing an examination under this section, the practitioner should request from management a written assertion. If management refuses to provide a written assertion, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation. (Ref: par. .A10–A11)</del></p>	<p><del><b>A10</b> Management’s written assertion about compliance with specified requirements may take many forms. Throughout this section, for example, the phrase “management’s assertion that W Company complied with [specify compliance requirement] as of [date],” illustrates such an assertion. Other phrases may also be used. A statement that is so subjective (for example, <i>substantially complied</i>) that people having competence in and using the same or similar criteria would not</del></p>

<sup>2</sup> Paragraphs .24–.28 of section 105, *Concepts Common to All Attestation Engagements*, and paragraph .06 of section 205, *Examination Engagements*.

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p><del>ordinarily be able to arrive at similar conclusions is not an appropriate written assertion.</del></p> <p><del>A11 Paragraph 10 applies regardless of whether the responsible party is the engaging party.</del></p>
<p><b>Reasonable Assurance</b></p> <p><del>.10 .11</del> In an engagement to examine compliance with specified requirements, the practitioner should seek to obtain reasonable assurance that the entity complied with the specified requirements, in all material respects, including designing the examination to detect both intentional and unintentional material noncompliance.</p>	
<p><b>Materiality</b></p> <p><del>.11 .12</del> As required by section 205, the practitioner should consider materiality when establishing the overall engagement strategy.<sup>3</sup> (Ref: par. <del>A10-A11 A12-A13</del>)</p>	<p><b>Materiality (Ref: par. <del>.11.12</del>)</b></p> <p><del>A10 A12</del> The terms of an engagement may provide for a supplemental practitioner’s report of all or certain noncompliance discovered. Such terms would not affect the practitioner’s judgments about materiality in establishing the overall engagement strategy or in forming an opinion on an entity’s compliance with specified requirements or on management’s assertion about such compliance.</p> <p><del>A11 A13</del> In an examination of an entity’s compliance with specified requirements, the practitioner’s consideration of materiality is affected by (a) the nature of the compliance requirements, which may or may not be quantifiable in monetary terms, (b) the nature and frequency of noncompliance identified with appropriate consideration of sampling</p>

<sup>3</sup> Paragraph .16 of section 205.

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	risk, and (c) qualitative considerations, including the needs and expectations of the users of the practitioner’s report.
<p><b>Examination Procedures</b>  <b>.12 <del>13</del></b> The practitioner should obtain an understanding of the specified requirements. The practitioner’s procedures to obtain that understanding should include the following: (Ref: par. <del>A12.A14</del>)</p> <ul style="list-style-type: none"> <li>a. Consideration of laws, regulations, rules, contracts, and grants that pertain to the specified requirements, including published requirements</li> <li>b. Consideration of knowledge about the specified requirements obtained through prior engagements and regulatory reports</li> <li>c. Discussion with appropriate individuals within the entity (for example, the chief financial officer, internal auditors, legal counsel, compliance officer, or grant or contract administrators)</li> </ul>	<p><b>Examination Procedures (Ref: par. <del>.12 <del>13</del></del> and <del>.14 <del>15</del></del>)</b>  <b>.A12 .A14</b> In certain circumstances, the practitioner may determine that it is necessary to discuss the specified requirements with appropriate individuals outside the entity (for example, a regulator or specialist).</p>
<p><b>.13 <del>14</del></b> In an engagement to examine an entity’s compliance with specified requirements when the entity has operations in several components (for example, locations, branches, subsidiaries, or programs), the practitioner should determine the nature, timing, and extent of testing to be performed at individual components. In making such a determination and in selecting the components to be tested, the practitioner should evaluate factors such as the following:</p> <ul style="list-style-type: none"> <li>a. The degree to which the specified requirements apply at the component level</li> <li>b. Judgments about materiality</li> <li>c. The degree of centralization of records</li> <li>d. The effectiveness of the control environment, particularly management’s direct control over the exercise of authority</li> </ul>	

**AT-C Section 315, *Compliance Attestation* (Marked from Extant)**

<b>Introduction, Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>delegated to others and its ability to supervise activities at various locations effectively</p> <p><i>e.</i> The nature and extent of operations conducted at the various components</p> <p><i>f.</i> The similarity of operations over compliance for different components</p>	
<p><b><del>.14</del> <del>.15</del></b> The practitioner should obtain an understanding of relevant portions of internal control over compliance sufficient to plan the engagement and to assess control risk for compliance with specified requirements. In planning the examination, such knowledge should be used to identify types of potential noncompliance, to consider factors that affect the risk of material noncompliance, and to design appropriate tests of compliance. (Ref: par. <del>.A13-.A14-.A15-.A16</del>)</p>	<p><b><del>.A13</del> <del>.A15</del></b> A practitioner generally obtains an understanding of the design of specific controls by performing the following:</p> <ol style="list-style-type: none"> <li><i>a.</i> Inquiries of appropriate management, supervisory, and staff personnel</li> <li><i>b.</i> Inspection of the entity’s documents</li> <li><i>c.</i> Observation of the entity’s activities and operations</li> </ol> <p><b><del>.A14</del> <del>.A16</del></b> The nature and extent of procedures a practitioner performs vary from entity to entity and are influenced by factors such as the following:</p> <ul style="list-style-type: none"> <li>• The newness and complexity of the specified requirements</li> <li>• The practitioner’s knowledge of internal control over compliance obtained in previous professional engagements</li> <li>• The nature of the specified requirements</li> <li>• An understanding of the industry in which the entity operates</li> <li>• Judgments about materiality</li> </ul>
<p><b><del>.15</del> <del>.16</del></b> For engagements involving compliance with regulatory requirements, the practitioner’s procedures should include reviewing reports of relevant examinations and related communications between regulatory agencies and the entity and, when appropriate, making inquiries of the regulatory agencies, including inquiries about examinations in progress.</p>	

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Written Representations in an Examination Engagement</b> <del>.16</del> <del>17</del> In an examination engagement, in addition to the written representations from management required by section 205, the practitioner should request written representations from management that<sup>4</sup> (Ref: par. <del>.A15</del> <del>A17</del>)</p> <ul style="list-style-type: none"> <li>a. acknowledge management’s responsibility for establishing and maintaining effective internal control over compliance.</li> <li><del>b. state that management has performed an evaluation of the entity’s compliance with specified requirements.</del></li> <li><del>b</del>e. state management’s interpretation of any compliance requirements that have varying interpretations.</li> <li><del>c. state that management has disclosed any known noncompliance occurring during or subsequent to the period covered by the practitioner’s report.</del></li> </ul>	<p><b>Written Representations in an Examination Engagement (Ref: par. <del>.16</del> <del>17</del>)</b></p> <p><del>.A15</del> <del>A17</del> At the beginning of the engagement, the practitioner may want to consider discussing with management the need for management to provide the practitioner with a written representation letter at the conclusion of the engagement.</p>
<p><del>.17</del> <del>18</del> In an examination of compliance, the practitioner should request from management the written representations required by section 205 and paragraph <del>.16</del> <del>17</del> of this section, even if the engaging party is not management.<sup>5</sup> <del>The alternative to obtaining the required written representations provided for in section 205 is not permitted in an engagement to examine compliance.</del><sup>6</sup> <u>In this engagement, management’s refusal to furnish the written representations required by section 205 and paragraph .17 of this section constitutes a limitation on the scope of the engagement. Such</u></p>	

<sup>4</sup> Paragraph .50 of section 205.  
<sup>5</sup> See footnote 4.  
<sup>6</sup> ~~Paragraph .51 of section 205~~

**AT-C Section 315, *Compliance Attestation* (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><u>refusal is often</u> sufficient to preclude an unmodified opinion and may be sufficient to cause the practitioner to withdraw from the examination engagement, when withdrawal is possible under applicable laws and regulations.<sup>67</sup></p>	
<p><b>Forming the Opinion</b></p> <p><del>.18</del> <del>.19</del> In evaluating whether the entity has complied with the specified requirements, in all material respects, (or whether management’s assertion about its compliance with the specified requirements is fairly stated, in all material respects), the practitioner should evaluate (a) the nature and frequency of the noncompliance identified and (b) whether such noncompliance is material relative to the nature of the compliance requirements.</p>	
<p><b>Content of the Practitioner’s Examination Report</b></p> <p><del>.19</del> <del>.20</del> The practitioner’s examination report on compliance should include the following, unless the practitioner is disclaiming an opinion, in which case, items <del>.19</del> <del>.20(g)</del> and <del>.19</del> <del>.20(h)</del> should be omitted. (Ref: par. <del>A16</del> <del>A18</del> <del>A18</del> <del>A20</del>)</p> <ul style="list-style-type: none"> <li>a. A title that includes the word <i>independent</i>.</li> <li>b. An appropriate addressee as required by the circumstances of the engagement.</li> <li>c. An identification of the compliance matters that are being reported on or the assertion about such matters, including the</li> </ul>	<p><b>Content of the Practitioner’s Examination Report (Ref: par. <del>.19</del> <del>.20</del> <del>.20</del> <del>.21</del>)</b></p> <p><del>A16</del> <del>A18</del> The list of elements in paragraph <del>.19</del> <del>.20</del> constitutes all the required elements for a practitioner’s report on an examination of compliance with specified requirements, including the elements required by section 205<sup>2+2</sup> Application guidance regarding the elements of an examination report is included in section 205.<sup>10+3</sup></p> <p><del>A17</del> <del>A19</del> Examples 1 and 2 in the exhibit to this section provide illustrations of practitioner’s examination reports on compliance.</p>

<sup>67</sup> Paragraphs ~~50~~, ~~54~~~~55~~, and ~~A68~~ ~~A64~~ of section 205.

<sup>68</sup> Paragraphs ~~62~~ ~~65~~~~63~~ ~~66~~ of section 205.

<sup>69</sup> Paragraphs ~~A85~~ ~~A111~~ ~~A78~~ ~~A101~~ of section 205.

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>point in time or period of time to which the measurement or evaluation of compliance relates.</p> <p>d. An identification of the specified requirements against which compliance was measured or evaluated. (Ref: par. <del>.A18, A21</del>)</p> <p>e. A statement that identifies</p> <ul style="list-style-type: none"> <li>i. management and its responsibility for compliance with the specified requirements (when reporting on the subject matter) or for its assertion (when reporting on the assertion).</li> <li>ii. the practitioner’s responsibility to express an opinion on the entity’s compliance with the specified requirements or on management’s assertion about the entity’s compliance with the specified requirements, based on the practitioner’s examination.</li> </ul> <p>f. A statement that</p> <ul style="list-style-type: none"> <li>i. the examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. (Ref: par. .A18)</li> <li>ii. those standards require that the practitioner plan and perform the examination to obtain reasonable assurance about whether <ul style="list-style-type: none"> <li>(1) the entity complied with the specified requirements, in all material respects, or</li> <li>(2) management’s assertion about compliance with the specified requirements is fairly stated, in all material respects.</li> </ul> </li> <li>iii. the practitioner believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the practitioner’s opinion.</li> </ul> <p>g. A description of the nature of an examination engagement.</p>	<p><del>.A18, A20</del> Item <del>.1920d</del> represents the criteria for measuring or evaluating compliance with the specified requirements.</p> <p><b><u>Standards Under Which Engagement Was Performed (Ref: par. .19f(i))</u></b></p> <p><b><u>.A19 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, AT-C section 315, Compliance Attestation, of the attestation standards established by the American Institute of Certified Public Accountants.</u></b></p>

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

- h.* A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the entity’s compliance with specified requirements or its assertion thereon.
- i.* A statement that the examination does not provide a legal determination on the entity’s compliance with specified requirements.
- j.* A statement that the practitioner is independent and has fulfilled the practitioner’s other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.
- k.* The practitioner’s opinion about whether, in all material respects
  - i.* the entity complied with the specified requirements or
  - ii.* management’s assertion about the entity’s compliance with specified requirements is fairly stated.
- l.* When the circumstances identified in section 205 are applicable, an alert in a separate paragraph that restricts the use of the report or describes the purpose of the report, as applicable.<sup>8</sup>
- m.* The manual or printed signature of the practitioner’s firm.
- n.* The city and state where the practitioner practices.
- o.* 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.* management has provided all necessary representations ~~written assertion.~~)

**Reasonable Basis for Assertion (Ref: par. .19kii)**  
**.A20 As indicated in AT-C section 205, before the practitioner reports on management’s assertion, the practitioner should use professional judgment in determining whether management has a reasonable basis for making its assertion.**<sup>11</sup>

<sup>8</sup> Paragraph ~~6364e~~ of section 205.

<sup>11</sup> Paragraph ~~.60~~ of section 205.

**AT-C Section 315, *Compliance Attestation* (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b><u>.20</u> <del>.21</del></b> Frequently, criteria will be contained in the compliance requirements, in which case, it is not necessary to repeat the criteria in the practitioner’s report; however, if the criteria are not included in the compliance requirement, the report should identify the criteria. (Ref: par. A21–A23)</p>	<p><b><u>.A21</u></b> Ordinarily, the criteria are included in the specified requirements. In that case, the identification may say, “We have examined management of XYZ Company’s compliance with [<i>identify the specified requirements...</i>].”</p> <p><b><u>.A22</u></b> If a compliance requirement is to “maintain \$25,000 in capital,” it would not be necessary to identify the \$25,000 in the practitioner’s report; however, if the requirement is subjectively worded, for example, to “maintain adequate capital,” the criteria used to define <i>adequate</i> would be included in the report.</p> <p><b><u>.A23</u></b> When evaluating compliance with certain requirements requires interpretation of the laws, regulations, rules, contracts, or grants that establish those requirements, the practitioner evaluates whether the criteria are suitable for evaluating compliance. If these interpretations are significant, the practitioner may include a paragraph describing the interpretations and identifying the source of the interpretations made by the entity’s management. The following is an example of such a paragraph:</p> <p style="padding-left: 40px;">We have been informed that, under [<i>name of entity</i>]’s interpretation of [<i>identify the compliance requirement</i>], [<i>explain the source and nature of the relevant interpretation</i>].</p>
<p><b>Modified Opinions</b> <b><u>.21</u> <del>.22</del></b> If the practitioner determines that there is material noncompliance, the practitioner’s report should describe the material</p>	<p><b>Modified Opinions (Ref: par. <u>.21</u><del>.22</del>)</b></p> <p><b><i>Qualified Opinion</i></b> <b><u>.A24</u></b> The following is an example of</p>

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

noncompliance, and the opinion should be modified in accordance with section 205<sup>129</sup> (Ref: par. ~~.A24-.A28~~ ~~A24-A28~~)

- a. a paragraph that would be added to the practitioner’s report to describe the matter giving rise to the qualified opinion, and
- b. an opinion paragraph of a report containing the qualified opinion:

Our examination disclosed the following material noncompliance with [*type of compliance requirement*] applicable to [*name of entity*] during the [*period*] ended [*date*]. [*Describe noncompliance.*]

In our opinion, except for the material noncompliance described in the preceding paragraph, [*name of entity*] complied, in all material respects, with the aforementioned requirements for the [*period*] ended [*date*].

***Adverse Opinion***

**A25** The following is an example of

- a. a paragraph that would be added to the practitioner’s report to describe the matter(s) giving rise to the adverse opinion, and
- b. an opinion paragraph of a report containing an adverse opinion:

Our examination disclosed the following material noncompliance with [*type of compliance requirement*] applicable to [*name of entity*] during the [*period*] ended [*date*]. [*Describe noncompliance.*]

In our opinion, because of the effect of the noncompliance described in the preceding paragraph, [*name of entity*] has not complied with the aforementioned requirements for the [*period*] ended [*date*].

<sup>129</sup> Paragraphs ~~.67-.80~~ ~~.68-.84~~ of section 205.

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p><b>.A26</b> If the practitioner’s report containing a qualified or adverse opinion on the entity’s compliance with specified requirements is included in a document that also includes the practitioner’s audit report on the entity’s financial statements, the compliance report may indicate that the noncompliance was considered during the audit.</p> <p><b>.A27</b> The following is an example of an additional sentence that may be included in the opinion paragraph of a practitioner’s examination report that describes material noncompliance:</p> <p style="padding-left: 40px;">We considered the effect of these conditions on our audit of the 20XX financial statements. This report on XYZ Company’s compliance with [<i>identify the specified requirements</i>] does not affect our audit report dated [<i>date of report</i>] on those financial statements.</p> <p><b>.A28</b> The practitioner also may include the preceding sentence when the two practitioner’s reports are not included in the same document.</p>
<p><b>Preconditions for an Agreed-Upon Procedures Engagement</b></p> <p><b>.22 <del>23</del></b> In order to accept an attestation engagement to apply agreed-upon procedures related to compliance with specified requirements</p>	<p><b>Preconditions for an Agreed-Upon Procedures Engagement (Ref: par. <del>.2223</del>)</b></p>

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>or internal control over compliance with specified requirements, in addition to the preconditions for an agreed-upon procedures engagement in sections 105 and 215, the practitioner should determine that<sup>1340</sup> <del>the</del> management accepts responsibility for the entity's compliance with specified requirements and the entity's internal control over compliance. (Ref: par. .A29–<del>A30</del>)</p> <p><del>b. management evaluates the entity's compliance with specified requirements or the entity's internal control over compliance.</del></p>	<p><b>.A29</b> Management is responsible for ensuring that the entity complies with the requirements applicable to its activities. That responsibility encompasses the following:</p> <ul style="list-style-type: none"> <li>a. Identifying <u>and complying with</u> the specified requirements</li> <li>b. <u>Designing, implementing, Establishing</u> and maintaining internal control to provide reasonable assurance that the entity complies with those requirements</li> <li><del>e. Evaluating and monitoring the entity's compliance</del></li> <li><del>c.</del> Specifying reports that satisfy legal, regulatory, or contractual requirements</li> </ul> <p><del>.A30 Management's evaluation may include documentation such as accounting or statistical data, entity policy manuals, accounting manuals, narrative memoranda, procedural write-ups, flowcharts, completed questionnaires, or internal auditors' reports. The form and extent of documentation will vary depending on the nature of the compliance requirements and the size and complexity of the entity.</del></p>
<p><b>.23 <del>24</del></b> The practitioner should obtain an understanding of the specified requirements. The practitioner's procedures to obtain that understanding should include the following:</p> <ul style="list-style-type: none"> <li>a. Consideration of laws, regulations, rules, contracts, and grants that pertain to the specified requirements, including published requirements</li> <li>b. Consideration of knowledge about the specified requirements obtained through prior engagements and regulatory reports</li> <li>c. Discussion with appropriate individuals within the entity (for example, the chief financial officer, internal auditors, legal</li> </ul>	

<sup>1340</sup> Paragraphs .24–.28 of section 105 and paragraphs ~~09.~~10–.11 of section 215, *Agreed-Upon Procedures Engagements*.

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

Introduction, Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>counsel, compliance officer, or grant or contract administrators)</p>	
<p><b>Written Representations in an Agreed-Upon Procedures Engagement</b></p> <p><del>.24</del> <del>25</del> In an agreed-upon procedures engagement, in addition to the written representations from management required by section 215, the practitioner should request written representations from management that<sup>14++</sup></p> <ul style="list-style-type: none"> <li>a. acknowledge management’s responsibility for establishing and maintaining effective internal control over compliance.</li> <li><del>b. state that management has performed an evaluation of (i) the entity’s compliance with specified requirements or (ii) the entity’s controls for establishing and maintaining internal control over compliance and detecting noncompliance with requirements, as applicable.</del></li> <li><del>b</del>e. state management’s interpretation of any compliance requirements that have varying interpretations.</li> <li><del>c</del>d. state that management has disclosed any known noncompliance occurring <u>during or</u> subsequent to the period covered by the practitioner’s report.</li> </ul>	
<p><b>Content of the Practitioner’s Agreed-Upon Procedures Report</b></p> <p><del>.25</del> <del>26</del> The practitioner’s agreed-upon procedures report on compliance should include the following: (Ref: par. <del>.A30-.A33</del> <del>.A31-.A34</del>)</p> <ul style="list-style-type: none"> <li>a. A title that <u>clearly indicates that the report is an agreed-upon procedures report and that</u> includes the word <i>independent</i>.</li> </ul>	<p><b>Content of the Practitioner’s Agreed-Upon Procedures Report (Ref: par. <del>.25</del> <del>26</del>)</b></p> <p><del>.A30</del> <del>A31</del> The list of elements in paragraph <del>.25</del> <del>26</del> of this section constitutes all the required elements for a practitioner’s report on the application of agreed-upon procedures related to an entity’s compliance</p>

<sup>14++</sup> Paragraph ~~.25~~ ~~28~~ of section 215.

**AT-C Section 315, *Compliance Attestation* (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

- b. An appropriate addressee as required by the circumstances of the engagement.
- c. A description of the intended purpose of the engagement in sufficient detail to enable the reader to understand the nature of the work performed, including
  - i. the engaging party;
  - ii the subject matter to which the procedures were applied, which, in this engagement, is the entity’s compliance during a period (or as of a point in time), and
  - iii. the specified requirements against which the entity’s compliance was measured or evaluated
- d. A statement that the agreed-upon procedures report may not be suitable for any other purpose.
- ~~e. An indication that the subject matter of the engagement is the entity’s compliance during a period or as of a point in time.~~
- ~~d. An identification of the specified requirements against which the entity’s compliance was measured or evaluated.~~
- e. A description of the agreed-upon procedures engagement stating that
  - i. an agreed-upon procedures engagement involves the practitioner performing the procedures that have been agreed to by the practitioner and the engaging party, and reporting the findings based on the procedures performed, and
  - ii the engaging party has acknowledged that the procedures performed were appropriate for the intended purpose of the engagement.
- ~~e. An indication that management of the entity is responsible for the entity’s compliance with the specified requirements.~~

with specified requirements, including the elements required by section 215.<sup>16</sup> Application guidance regarding the elements of an agreed-upon procedures report is included in section 215.<sup>17</sup>

~~A31~~ **A32** In some agreed-upon procedures engagements, procedures may relate to both compliance with specified requirements and the entity’s internal control over compliance. In these engagements, the practitioner may issue one practitioner’s report that addresses both. For example, the first sentence of the introductory paragraph may state the following:

We have performed the procedures enumerated below, related to [name of entity]’s compliance with [identify the specified requirements] during the [period] ended [date] and [name of entity]’s internal control over compliance with the aforementioned compliance requirements as of [date].

~~A32~~ **A33** When performing agreed-upon procedures related to an entity’s compliance with specified requirements, or an entity’s internal control over compliance with certain requirements requires interpretation of the laws, regulations, rules, contracts, or grants that establish those requirements, the practitioner evaluates whether the criteria are suitable for performing such agreed-upon procedures and reporting findings. If these interpretations are significant, the practitioner may include a paragraph describing the interpretations made by management and the source of the interpretations. An example of such a paragraph, which would precede the procedures and findings paragraph(s), follows:

<sup>16</sup> Paragraphs ~~29–34~~<sup>35–36</sup> of section 215.

<sup>17</sup> Paragraphs ~~A45–A64~~<sup>A35–A43</sup> of section 215.

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

- ~~f. An identification of the specified parties.~~
- ~~g. A statement that
 
  - ~~i. the sufficiency of the procedures is solely the responsibility of the parties specified in the report.~~
  - ~~ii. the practitioner makes no representation regarding the sufficiency of the procedures either for the purpose for which the report has been requested or for any other purpose~~~~
- ~~f. A list of the procedures performed (or reference thereto) detailing the nature and extent of each procedure, and related findings. (The practitioner should not provide a conclusion).~~
- g. A description of the findings from each procedure performed, including sufficient details on exceptions found.
- ~~h. When applicable, a description of any specified agreed-upon materiality limits.~~
- ~~i. A statement that
 
  - i. the agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.
  - ii. the practitioner was not engaged to and did not conduct an examination or a limited assurance attestation engagement review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements (or internal control over compliance with specified requirements).
  - iii. the practitioner does not express such an opinion or conclusion.
  - iv. had the practitioner performed additional procedures, other matters might have come to the practitioner’s attention that would have been reported.~~
- j. A statement that the practitioner is independent and has fulfilled the practitioner’s other ethical responsibilities in

We have been informed that, under [*name of entity*]'s interpretation of [*identify the compliance requirement*], [*explain the nature and source of the relevant interpretation.*]

**A33 A34** Example 3 in the exhibit to this section provides an illustration of a practitioner’s agreed upon procedures report related to compliance with specified requirements. Example 4 in the exhibit to this section provides an illustration of an agreed-upon procedures report related to internal control over compliance with specified requirements.

**AT-C Section 315, Compliance Attestation (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

accordance with relevant ethical requirements related to the agreed-upon procedures engagement.

- ~~k.~~ ~~When applicable,~~ A description of the nature of the assistance provided by a practitioner’s external specialist, if applicable.
- ~~l.~~ When applicable, limitations on reservations or restrictions concerning procedures or findings.
- ~~m.~~ When the circumstances identified in section 215 are applicable, ~~A~~ an alert, in a separate paragraph, that restricts the use of the report.<sup>15</sup> The alert should
  - i. state that the report is intended solely for the information and use of the specified parties,
  - ii. identify the specified parties for whom use is intended, and
  - iii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.
- ~~n.~~ ~~When the engagement is also performed in accordance with Government Auditing Standards, the alert that restricts the use of the report should include the following information, rather than the information required by paragraph .25.26m:~~
  - ~~i.~~ ~~A description of the purpose of the report~~
  - ~~ii.~~ ~~A statement indicating that the report is not suitable for any other purpose~~
- ~~no.~~ The manual or printed signature of the practitioner’s firm.
- ~~op.~~ The city and state where the practitioner practices.
- ~~2q.~~ The date of the report. (The report should be dated no earlier than the date on which the practitioner completed the procedures and determined the findings, including that ~~the~~ the attestation documentation has been reviewed.<sup>5</sup>

<sup>15</sup> ~~Paragraph .33 of section 215.~~

**AT-C Section 315, *Compliance Attestation* (Marked from Extant)**

**Introduction, Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

~~and~~

~~ii. management has provided a written assertion, unless management refuses to provide an assertion)~~

~~A34 A35~~

## **Exhibit—Illustrative Practitioner’s Examination and Agreed-Upon Procedures Reports Related to Compliance, and Agreed-Upon Procedures Report Related to Internal Control Over Compliance**

The illustrative practitioner’s examination reports in this exhibit (examples 1 and 2) meet the reporting requirements of section 205, *Examination Engagements*, and of paragraphs ~~.19-.21~~ ~~.20-.22~~ of this section<sup>1</sup>. A practitioner may use alternative language in drafting an examination report, provided that the language meets the applicable requirements of section 205 and paragraphs ~~.19-.21~~ ~~.20-.22~~ of this section.<sup>2</sup>

The illustrative practitioner’s agreed-upon procedures reports in this exhibit (examples 3 and 4) meet the applicable reporting requirements of section 215, *Agreed-Upon Procedures Engagements*, and paragraph ~~.25-.26~~ of this section.<sup>3</sup> A practitioner may use alternative language in drafting an agreed-upon procedures report, provided that the language meets the applicable requirements of section 215 and paragraph ~~.25-.26~~ of this section.<sup>4</sup>

### **Example 1: Practitioner’s Examination Report on Compliance; Unmodified Opinion**

The following is an illustrative practitioner’s examination report for an engagement in which the practitioner is reporting on subject matter (an entity’s compliance with specified requirements during a period of time).

#### **Independent Accountant’s Report**

[*Appropriate addressee*]

We have examined XYZ Company’s compliance with [*identify the specified requirements, for example, the requirements listed in Attachment I*] during the period January 1, 20X1, to December 31, 20X1. Management of XYZ Company is responsible for XYZ Company’s compliance with the specified requirements. Our responsibility is to express an opinion on XYZ Company’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether XYZ Company complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether XYZ Company complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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.

<sup>1</sup> Paragraphs ~~.59-.80~~ ~~.61-.84~~ of section 205.

<sup>2</sup> See footnote 1.

<sup>3</sup> Paragraphs ~~.29-.36~~ ~~.33-.41~~ of section 215.

<sup>4</sup> See footnote 3.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

Our examination does not provide a legal determination on XYZ Company’s compliance with specified requirements.

In our opinion, XYZ Company complied, in all material respects, with [*identify the specified requirements, for example, the requirements listed in Attachment I*] during the period January 1, 20X1 to December 31, 20X1.

[*Practitioner’s signature*]  
[*Practitioner’s city and state*]  
[*Date of practitioner’s report*]

## **Example 2: Practitioner’s Examination Report on an Assertion About Compliance; Unmodified Opinion**

The following is an illustrative practitioner’s examination report for an engagement in which the practitioner is reporting on the management’s assertion about compliance with specified requirements and management’s assertion accompanies the report.

### **Independent Accountant’s Report**

[*Appropriate Addressee*]

We have examined management of XYZ Company’s assertion that XYZ Company complied with [*identify the specified requirements, for example, the requirements listed in Attachment I*] during the period January 1, 20X1 to December 31, 20X1.<sup>5</sup> XYZ Company’s management is responsible for its assertion. Our responsibility is to express an opinion on management’s assertion about XYZ Company’s compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management’s assertion about compliance with the specified requirements is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management’s assertion is fairly stated, in all material respects. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement

---

<sup>5</sup> If management’s assertion accompanies the practitioner’s report, the practitioner would refer to management’s assertion by using the same title as management used for its assertion. The report also would use the same description of the specified requirements that management used in its assertion. If management’s assertion is stated in the report, rather than accompanying the report, the word *accompanying* would be omitted.

of management’s assertion, 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.

Our examination does not provide a legal determination on XYZ Company's compliance with the specified requirements.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.

In our opinion, management’s assertion that XYZ Company complied with [*identify the specified requirements, for example, the requirements listed in Attachment I*], is fairly stated, in all material respects.

[*Practitioner’s signature*]  
[*Practitioner’s city and state*]  
[*Date of practitioner’s report*]

### **Example 3: Practitioner’s Agreed-Upon Procedures Report Related to Compliance**

The following is an illustrative practitioner’s agreed-upon procedures report related to an entity’s compliance with specified requirements in which the procedures and findings are enumerated, rather than referenced.

#### **Independent Accountant’s Report on Applying Agreed-Upon Procedures**

[*Appropriate Addressee*]

We have performed the procedures enumerated below, which were agreed to by [*identify the engaging party ~~specified parties, for example, the management and board of directors~~ of XYZ Company*], related to XYZ Company’s compliance with [*identify the specified requirements, for example, the requirements listed in Attachment I*] during the period January 1, 20X1 to December 31, 20X1], solely for the purpose of [*identify the intended purpose of the engagement*].<sup>6</sup> Our report may not be suitable for any other purpose. ~~XYZ Company’s management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.~~

An agreed-upon procedures engagement involves our performing the procedures that have been agreed to by us and [*identify the engaging party, for example, the management of XYZ Company*] and reporting the findings based on the procedures performed. [*Identify the engaging party, for*

<sup>6</sup> If the agreed-upon procedures have been published by a third-party user (for example, a regulator in regulatory policies or a lender in a debt agreement), this sentence might begin as follows: “We have performed the procedures included in [*title of publication or other document*] and enumerated below...”

example, the management of XYZ Company] has acknowledged that the procedures performed are appropriate for the [identify the intended purpose of the engagement].

[Include paragraphs to enumerate procedures and findings.]

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or limited assurance engagement review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the agreed-upon procedures engagement.

(Additional paragraph(s) may be added to describe other matters.)

~~This report is intended solely for the information and use of [identify the specified parties, for example, the management and board of directors of XYZ Company] and is not intended to be, and should not be, used by anyone other than the specified parties.~~

[Practitioner's signature]

[Practitioner's city and state]

[Date of practitioner's report]

#### **Example 4: Practitioner's Agreed-Upon Procedures Report Related to Internal Control Over Compliance**

The following is an illustrative practitioner's agreed-upon procedures report related to an entity's internal control over compliance in which the procedures and findings are enumerated rather than referenced.

##### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

[Appropriate Addressee]

We have performed the procedures enumerated below, which were agreed to by [identify the engaging ~~specified party parties~~, for example, the management and board of directors of XYZ Company], related to XYZ Company's internal control over compliance with [identify the specified requirements for example, the requirements listed in Attachment 1], as of December 31, 20X1 solely for the purpose of [identify the intended purpose of the engagement].<sup>7</sup> ~~XYZ~~

<sup>7</sup> If the agreed-upon procedures have been published by a third-party user (for example, a regulator in regulatory policies or a lender in a debt agreement), this sentence might begin as follows: "We have performed the procedures included in [title of publication or other documents] and enumerated below..."

~~Company's management is responsible for its internal control over compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representations regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose. Our report may not be suitable for any other purpose.~~

An agreed-upon procedures engagement involves our performing the procedures that have been agreed to by us and [identify the engaging party] and reporting on findings based on the procedures performed. [Identify the engaging party, for example, management of XYZ Company] has acknowledged that the procedures performed are appropriate for the [identify the intended purpose of the engagement].

*[Include paragraphs to enumerate procedures and findings.]*

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or limited assurance engagement review, the objective of which would be the expression of an opinion or conclusion, respectively, on internal control over compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are independent and have fulfilled our other ethical responsibilities in accordance with relevant ethical requirements related to the agreed-upon procedures engagement.

*(Additional paragraph(s) may be added to describe other matters.)*

~~This report is intended solely for the information and use of [identify the specified parties, for example, the management and board of directors of XYZ Company] and is not intended to be, and should not be, used by anyone other than the specified parties.~~

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Introduction</b></p> <p><b>.01</b> This section contains performance and reporting requirements and application guidance for a service auditor examining controls at organizations that provide services to user entities when those controls are likely to be relevant to user entities' internal control over financial reporting. It complements AU-C section 402, <i>Audit Considerations Relating to an Entity Using a Service Organization*</i>, in that a service auditor's report prepared in accordance with this section may provide appropriate evidence under AU-C section 402. (Ref: par. .A1)</p> <p><u><b>.02</b> This section applies only when management of the service organization is responsible for and willing to provide the practitioner with a statement about the fairness of the presentation of the description of the service organization's system, the suitability of the design of the controls included in the description, and, in a type 2 engagement, the operating effectiveness of those controls against the relevant criteria identified in paragraphs .16–.19 of this section. Management's statement is referred to in this section as <i>management's assertion</i>.<sup>1</sup> (See paragraph .11bvi</u></p>	<p><b>Introduction (Ref: par. <del>.01</del>, <del>.02</del>, <u>.03</u>, and <u>.05</u> <del>.04</del>)</b></p> <p><b>.A1</b> Controls related to a service organization's operations and compliance objectives may be relevant to a user entity's internal control over financial reporting. Such controls may pertain to assertions about presentation and disclosure relating to account balances, classes of transactions or disclosures, or may pertain to evidence that the user auditor evaluates or uses in applying auditing procedures. For example, a payroll processing service organization's controls related to the timely remittance of payroll deductions to government authorities may be relevant to a user entity because late remittances could incur interest and penalties that would result in a liability to the user entity. Similarly, a service organization's controls over the acceptability of investment transactions from a regulatory perspective may be considered relevant to a user entity's presentation and disclosure of transactions and account balances in its financial statements.</p>

\* All AU-C sections can be found in *AICPA Professional Standards*.

<sup>1</sup> Definition of *assertion* in paragraph .10 of section 105, *Concepts Common to All Attestation Engagements*. All AT-C sections can be found in *AICPA Professional Standards*.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><del>.03</del> <del>.02</del> In addition to complying with this section, a practitioner is required to comply with section 105, <i>Concepts Common to All Attestation Engagements</i>, and section 205, <i>Examination Engagements</i>. In some cases, this section repeats or refers to requirements in sections 105 and 205 when describing those requirements in the context of examinations that address controls at a service organization likely to be relevant to user entities' internal control over financial reporting. Although not all the requirements in sections 105 and 205 are repeated or referred to in this section, the practitioner is responsible for complying with all the requirements in sections 105 and 205. (Ref: par. .A2)</p> <p><del>.04</del> <del>.03</del> Section 205 indicates that when performing an attestation engagement, a practitioner should report on a written assertion or should report directly on the subject matter.<sup>2+</sup> For engagements conducted under this section, the service auditor reports directly on the subject matter.</p> <p><del>.05</del> <del>.04</del> The focus of this section is on controls at service organizations likely to be relevant to user entities' internal control over financial reporting. The guidance herein also may be helpful to a practitioner performing an engagement under section 205 to report on controls at a service organization</p> <p>a. other than those that are likely to be relevant to user entities' internal control over financial reporting (for example, controls that affect user entities' compliance with specified requirements of laws, regulations, rules, contracts, or grants or controls that affect user entities' production or quality control). Section 315, <i>Compliance Attestation</i>, is applicable if a practitioner is performing agreed-upon</p>	<p><del>.A2</del> Section 105 requires the practitioner to consider applicable interpretive publications when planning and performing an attestation engagement.<sup>3+8</sup> Additional interpretive guidance for a practitioner examining controls at a service organization relevant to user entities' internal control over financial reporting is provided in the AICPA Guide <i>Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1®)</i>.</p> <p><del>.A3</del> Paragraph <del>.05</del> <del>.04</del> of this section refers to other engagements the practitioner may perform and report on under section 205 when reporting on controls at a service organization. Paragraph <del>.05</del> <del>.04</del> is not, however, intended to</p> <ul style="list-style-type: none"> <li>alter the definitions of a <i>service organization</i> and <i>service organization's system</i> in paragraph <del>.09</del> <del>.08</del> to permit reports issued under this section to include in the description of the service organization's system aspects of their services (including relevant control objectives and related controls) not likely to be relevant to user entities' internal control over financial reporting, or</li> <li>permit a practitioner's report to be issued that combines reporting under this section on a service organization's</li> </ul>

<sup>2+</sup> Paragraph ~~.6062~~ of section 205, *Examination Engagements*.

<sup>3+8</sup> Paragraph .21 of section 105, *Concepts Common to All Attestation Engagements*.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>procedures related to an entity's internal control over compliance with specified requirements. Section 205 is applicable if</p> <p>b. practitioner is examining an entity's controls over compliance with specified requirements. (Ref: par. .A3–.A4)</p>	<p>controls that are likely to be relevant to user entities' internal control over financial reporting, with reporting under section 205 on controls that are not likely to be relevant to user entities' internal control over financial reporting.</p> <p><b>.A4</b> When a service auditor conducts an engagement under section 205 to report on controls at a service organization other than those controls likely to be relevant to user entities' internal control over financial reporting, and the service auditor intends to use the guidance in this section in planning and performing that engagement, the service auditor may encounter matters that differ significantly from those associated with engagements to report on a service organization's controls likely to be relevant to user entities' internal control over financial reporting. The following are examples of such matters:</p> <ul style="list-style-type: none"> <li>• Identification of suitable and available criteria, as prescribed in section 105, for evaluating the fairness of presentation of management's description of the service organization's system and the suitability of the design and the operating effectiveness of the controls<sup>449</sup></li> <li>• Identification of appropriate control objectives, and the basis for evaluating the reasonableness of the control objectives in the circumstances of the particular engagement</li> <li>• Identification of the intended users of the report and the manner in which they intend to use the report</li> </ul>

<sup>449</sup> Paragraph .25c(ii) of section 105.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>c. when management of the service organization does not provide an assertion about the suitability of the design of controls because it is not responsible for the design of the controls (for example, when the controls have been designed by the user entity or the design is stipulated in a contract between the user entity and the service organization). (Ref: par. .A5)</p> <p><del>.06 .05</del> In addition to performing an examination of a service organization's controls, a service auditor may be engaged to</p>	<ul style="list-style-type: none"> <li>• Relevance and appropriateness of the definitions in paragraph .08, many of which specifically relate to internal control over financial reporting</li> <li>• Application of references to auditing standards (AU-C sections) that are intended to provide the service auditor with guidance relevant to internal control over financial reporting</li> <li>• Application of the concept of materiality in the circumstances of the particular engagement</li> <li>• Developing the language to be used and identifying the elements to be included in a practitioner's examination report, as discussed in section 205<sup>20</sup></li> </ul> <p><b>.A5</b> In some circumstances, management of the service organization may not be in a position to assert that the controls are suitably designed, for example, because the controls have been designed by management of the user entity. If management is unable to assert that the controls are suitably designed, management would also be precluded from asserting that the controls are operating effectively because of the inextricable link between the suitability of the design of controls and their operating effectiveness. The absence of an assertion with respect to the suitability of design of controls would preclude the service auditor from expressing an opinion on the operating effectiveness of controls. As an alternative, the practitioner may report under section 205 on whether the controls were operating as described or may perform agreed-upon procedures under section 215.</p>

<sup>20</sup> Paragraphs ~~.62-.65~~ ~~63-66~~ of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>a. examine and report on a user entity's transactions or balances maintained by a service organization, or</p> <p>b. perform and report under section 215, <i>Agreed-Upon Procedures Engagements</i>, the results of agreed-upon procedures related to the controls of a service organization or to transactions or balances of a user entity maintained by a service organization. However, these engagements are not addressed in this section.</p>	
<p><b>Effective Date</b> <del>.07 .06</del> This section is effective for service auditors' reports dated on or after May 1, 2020<del>17</del>.</p>	
<p><b>Objectives</b> <del>.08 .07</del> The objectives of the service auditor are to</p> <p>a. obtain reasonable assurance about whether, in all material respects, based on the criteria</p> <ol style="list-style-type: none"> <li>i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period (or in the case of a type 1 report, as of a specified date)</li> <li>ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the specified period (or in the case of a type 1 report, as of a specified date).</li> <li>iii. when included in the scope of the engagement, the controls operated effectively to provide reasonable assurance that the</li> </ol>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>control objectives stated in management's description of the service organization's system were achieved throughout the specified period.</p> <p>b. express an opinion in a written report about the matters in paragraph <del>.08-07a.</del></p>	
<p><b>Definitions</b></p>	<p><b>Definitions (Ref: par. <del>.09-08</del>)</b></p>
<p><del>.09-08</del> For the purposes of this section, the following definitions apply:</p> <p><b>Carve-out method.</b> Method of addressing the services provided by a subservice organization, whereby management's description of the service organization's system identifies the nature of the services performed by the subservice organization and excludes from the description and from the scope of the service auditor's engagement the subservice organization's relevant control objectives and related controls.</p>	
<p><b>Complementary subservice organization controls.</b> Controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by the subservice organizations and are necessary to achieve the control objectives stated in management's description of the service organization's system</p>	
<p><b>Complementary user entity controls.</b> Controls that management of the service organization assumes, in the design of the service organization's system, will be implemented by user entities and are necessary to achieve the control objectives stated in management's description of the service organization's system. (Ref: par. .A6)</p>	<p><b>Complementary User Entity Controls</b></p> <p><b>.A6</b> Complementary user entity controls are specific and relevant to the services provided by the service organization applicable to user entities' internal control over financial reporting.</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Control objectives.</b> The aim or purpose of specified controls at the service organization. Control objectives address the risks that controls are intended to mitigate.</p>	
<p><b>Controls at a service organization.</b> The policies and procedures at a service organization likely to be relevant to user entities' internal control over financial reporting. These policies and procedures are designed, implemented, and documented by the service organization to provide reasonable assurance about the achievement of the control objectives relevant to the services covered by the service auditor's report. (Ref: par. .A7)</p> <p><b>Inclusive method.</b> Method of addressing the services provided by a subservice organization whereby management's description of the service organization's system includes a description of the nature of the services provided by the subservice organization as well as the subservice organization's relevant control objectives and related controls.</p>	<p><b>Controls at a Service Organization</b></p> <p><b>.A7</b> The policies and procedures referred to in the definition of <i>controls at a service organization</i> in paragraph <del>09.08</del> include aspects of the information and communications component of user entities' internal control maintained by the service organization and control activities related to the information and communications component and may also include aspects of one or more of the other components of internal control at a service organization. For example, the definition of <i>controls at a service organization</i> may include aspects of the service organization's control environment, risk assessment, monitoring activities, and control activities when they relate to the services provided. Such definition does not, however, include controls at a service organization that are not related to the achievement of the control objectives stated in management's description of the service organization's system, for example, controls related to the preparation of the service organization's own financial statements.</p>
<p><b>Management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls (referred to in this section as a <i>type I report</i>).</b> A service auditor's report that comprises the following:</p> <ul style="list-style-type: none"> <li>a. Management's description of the service organization's system</li> <li>b. A written assertion by management of the service organization about whether, based on the criteria</li> </ul>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<ul style="list-style-type: none"> <li>i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented as of a specified date</li> <li>ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to achieve those control objectives as of the specified date</li> <li>c. A report that expresses an opinion on the matters in <i>bi-ii</i></li> </ul>	
<p><b>Management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls (referred to in this section as a <i>type 2 report</i>).</b> A service auditor's report that comprises the following:</p> <ul style="list-style-type: none"> <li>a. Management's description of the service organization's system</li> <li>b. A written assertion by management of the service organization about whether, based on the criteria           <ul style="list-style-type: none"> <li>i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period</li> <li>ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed throughout the specified period to achieve those control objectives</li> <li>iii. the controls related to the control objectives stated in management's description of the service organization's system operated effectively throughout the specified period to achieve those control objectives</li> </ul> </li> <li>c. A report that           <ul style="list-style-type: none"> <li>i. expresses an opinion on the matters in <i>bi-iii</i></li> <li>ii. includes a description of the tests of controls and the results thereof</li> </ul> </li> </ul>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Service auditor.</b> A practitioner who reports on controls at a service organization.</p> <p><b>Service organization.</b> An organization or segment of an organization that provides services to user entities, which are likely to be relevant to those user entities' internal control over financial reporting.</p>	
<p><b>Service organization's assertion.</b> A written assertion about the matters referred to in part (b) of the definition of <b>management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls</b>, for a type 2 report, and, for a type 1 report, the matters referred to in part (b) of the definition of <b>management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls</b>.</p> <p><b>Service organization's system.</b> The policies and procedures designed, implemented, and documented by management of the service organization to provide user entities with the services covered by the service auditor's report. Management's description of the service organization's system identifies the services covered, the period to which the description relates (or in the case of a type 1 report, the date to which the description relates), the control objectives specified by management or an outside party, the party specifying the control objectives (if not specified by management), and the related controls. (Ref: par. .A8)</p>	<p><b>Service Organization's System</b></p> <p><b>.A8</b> The policies and procedures referred to in the definition of <i>service organization's system</i> refer to the guidelines and activities for providing transaction processing and other services to user entities and include the infrastructure, software, people, and data that support the policies and procedures.</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Subservice organization.</b> A service organization used by another service organization to perform some of the services provided to user entities that are likely to be relevant to those user entities' internal control over financial reporting. (Ref: par. .A9)</p> <p><b>Test of controls.</b> A procedure designed to evaluate the operating effectiveness of controls in achieving the control objectives stated in management's description of the service organization's system.</p>	<p><b>Subservice Organization</b> .A9 There may be instances in which a subservice organization uses the services of another service organization to perform services that are likely to be relevant to user entities' internal control over financial reporting. In those circumstances, the service organization that provides services to the subservice organization is also a subservice organization.</p>
<p><b>Type 1 report.</b> See management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls.</p> <p><b>Type 2 report.</b> See management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls.</p>	
<p><b>User auditor.</b> An auditor who audits and reports on the financial statements of a user entity.</p> <p><b>User entity.</b> An entity that uses a service organization for which controls at the service organization are likely to be relevant to that entity's internal control over financial reporting.</p>	
<p><b>Requirements</b></p>	
<p><b>Management and Those Charged With Governance</b></p>	<p><b>Management and Those Charged With Governance (Ref: par. <del>.10</del>)</b></p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><del>.10</del> <del>.09</del> When this section requires the service auditor to inquire of, request representations from, communicate with, or otherwise interact with management of the service organization, the service auditor should determine the appropriate person(s) within the service organization's management or governance structure with whom to interact. This should include consideration of which person(s) has the appropriate responsibilities for and knowledge of the matters concerned. (Ref: par. .A10–.A11)</p>	<p><b>.A10</b> For the purposes of this section, the responsible party is management of the service organization.</p> <p><b>.A11</b> Management and governance structures vary by entity, reflecting influences such as size and ownership characteristics. Such diversity means that it is not possible for this section to specify for all engagements the person(s) with whom the service auditor is to interact regarding particular matters. For example, the service organization 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 from whom to request written representations may require the exercise of professional judgment.</p>
Preconditions	Preconditions
<p><del>.11</del> <del>.10</del> A service auditor should accept or continue an engagement to report on controls at a service organization pursuant to this section only if the preconditions for an attestation engagement identified in section 105 and the following conditions are met:<sup>62</sup> (Ref: par. .A12–.A13)</p> <p><i>a.</i> The service auditor's preliminary knowledge of the engagement circumstances indicates that the scope of the engagement and management's description of the service organization's system will not be so limited that they are unlikely to be useful to user entities and their auditors.</p>	<p><b><i>Service Auditor Need Not Be Independent of User Entities (Ref: par. <del>.11</del><del>.10</del>)</i></b></p> <p><b>.A12</b> In performing a service auditor's engagement, the service auditor need not be independent of each user entity.</p> <p><b><i>Law or Regulation Requires Acceptance or Continuance of Engagement (Ref: par. <del>.11</del><del>.10</del>)</i></b></p> <p><b>.A13</b> If one or more of the conditions in paragraph <del>.11</del><del>.10</del> of this section or in section 105 are not met and the service auditor is, nevertheless, required by law or regulation to accept or continue an engagement to report on controls at a service organization, the</p>

<sup>62</sup> Paragraphs .24–.28 of section 105.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>b. Management acknowledges and accepts its responsibility for the following:</p> <ul style="list-style-type: none"> <li>i. Preparing its description of the service organization's system and its assertion, including the completeness, accuracy, and method of presentation of the description and assertion (Ref: par. .A14)</li> <li>ii. Having a reasonable basis for its assertion (Ref: par. .A15)</li> <li>iii. Selecting the criteria to be used and stating them in the assertion</li> </ul>	<p>service auditor is required, in accordance with paragraphs <del>43-45</del> <del>42-44</del>, to determine the effect on the service auditor's report of one or more of such conditions not being met<sup>72+</sup></p> <p><b>Management's Responsibility for Documenting the Service Organization's System (Ref: par. <del>11bi-10b-i</del>)</b>  <b>.A14</b> Management of the service organization is responsible for documenting the service organization's system. No one particular form of documentation is prescribed, and the extent of documentation may vary depending on the size and complexity of the service organization and its monitoring activities.</p> <p><b>Reasonable Basis for Management's Assertion (Ref: par. <del>11-10bii] and .15aviii)</del></b>  <b>.A15</b> Management's monitoring activities may provide evidence of the design and operating effectiveness of controls in support of management's assertion. <i>Monitoring of controls</i> is a process to assess the effectiveness of internal control performance over time. It involves assessing the effectiveness of controls on a timely basis, identifying and reporting deficiencies to appropriate individuals within the service organization, and taking necessary corrective actions. Management accomplishes monitoring of controls through ongoing activities, separate evaluations, or a combination of the two. Ongoing monitoring activities are often built into the normal recurring activities of an entity and include regular management and supervisory activities. Internal auditors or personnel performing similar functions may contribute to the monitoring of a service</p>

<sup>72+</sup> Paragraphs .24-.28 of section 105.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>iv. Specifying the control objectives, stating them in the description of the service organization's system, and, if the control objectives are specified by law, regulation, or another party (for example, a user group or a professional body), identifying in the description the party specifying the control objectives (Ref: par. .A16)</p> <p>v. Identifying the risks that threaten the achievement of the control objectives stated in the description and designing, implementing, and documenting controls that are suitably designed and operating effectively to provide reasonable assurance that the control objectives stated in the description of the service organization's system will be achieved (Ref: par. .A17)</p>	<p>organization's activities. Monitoring activities may also include using information communicated by external parties, such as customer complaints, which may indicate problems or highlight areas in need of improvement. The greater the degree and effectiveness of ongoing monitoring, the less need for separate evaluations. Usually, some combination of ongoing monitoring and separate evaluations will ensure that internal control maintains its effectiveness over time. The service auditor's report on controls is not a substitute for the service organization's own processes to provide a reasonable basis for its assertion.</p> <p><b>Management's Responsibility for Control Objectives (Ref: par. <del>.11-10biv</del>)</b>  <b>.A16</b> The control objectives stated in management's description of the service organization's system relate to the types of financial statement assertions commonly embodied in the broad range of user entities' financial statements to which controls at the service organization could reasonably be expected to relate.</p> <p><b>Management's Responsibility for Identifying Risks (Ref: par. <del>.11-10bv</del>)</b>  <b>.A17</b> Control objectives relate to risks that controls seek to mitigate. For example, the risk that a transaction is recorded at the wrong amount or in the wrong period can be expressed as a control objective that transactions are recorded at the correct amount and in the correct period. Management is responsible for identifying the risks that threaten achievement of the control objectives stated in management's description of the service organization's system. A service organization's controls may be designed with the assumption that user entities will have implemented complementary</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>vi. Providing a written assertion that accompanies management's description of the service organization's system, both of which will be provided to user entities (Ref: par. .A18)</p>	<p>user entity controls or that subservice organizations will have implemented complementary subservice organization controls that are necessary to achieve the control objectives. The risks that management identifies also include the risk that such controls were not implemented by user entities or subservice organizations or that those controls were not operating effectively. Management may have a formal or informal process for identifying relevant risks. A formal process may include estimating the significance of identified risks, assessing the likelihood of their occurrence, and deciding about actions to address them. However, because control objectives relate to risks that controls seek to mitigate, thoughtful identification by management of control objectives when designing, implementing, and documenting the service organization's system may itself comprise an informal process for identifying relevant risks.</p> <p><b>Providing a Written Assertion (Ref: par. <del>.11-10</del>vi)</b> <b>.A18</b> The service organization's assertion may be attached to the description of the service organization's system or may be included in the description if clearly segregated from the description, for example, through the use of headings. Segregating the assertion from the description clarifies that the assertion is not part of the description. (See subparagraph (b) of the definitions of <i>management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design of controls and management's description of a service organization's system and a service auditor's report on that description and on the suitability of the design and operating effectiveness of controls</i> in paragraph <del>.09-08</del>.)</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>.12</b> <del>.11</del> When the inclusive method is used, the service auditor should apply the requirements in sections 105, 205, and this section to the services provided by the subservice organization, as applicable, including the requirement to obtain management of the service organization's acknowledgment and acceptance of responsibility for the matters in paragraph .10b of this section as they relate to the subservice organization. (Ref: par. .A19–.A20)</p>	<p><b>Inclusive Method (Ref: par. <del>.12</del><del>.11</del>)</b></p> <p><b>.A19</b> The inclusive method is generally feasible if, for example, the service organization and the subservice organization are related, or if the contract between the service organization and the subservice organization provides for the use of the inclusive method. In such circumstances, the service organization is the engaging party, and the requirements relative to agreeing on the terms of the engagement may not be applicable.</p> <p><b>.A20</b> If the inclusive method is used, matters to be agreed upon or coordinated by the service organization and the subservice organization include</p> <ul style="list-style-type: none"> <li>• the scope of the examination and the period to be covered by the service auditor's report.</li> <li>• acknowledgment from management of the subservice organization that it will provide the service auditor with a written assertion and representation letter. (Both management of the service organization and management of the subservice organization are responsible for providing the service auditor with a written assertion and representation letter.)</li> <li>• the planned content and format of the inclusive description.</li> <li>• the representatives of the subservice organization and the service organization who will be responsible for             <ul style="list-style-type: none"> <li>— providing each entity's description.</li> <li>— integrating the descriptions.</li> </ul> </li> <li>• for a type 2 report, the timing of the tests of controls.</li> </ul>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b><i>Request to Change the Scope of the Engagement</i></b> <del>.13</del> <del>.12</del> As required by section 105, if management requests a change in the scope of the engagement before the completion of the engagement, the service auditor should not agree to a change in the terms of the engagement when no reasonable justification for doing so exists.<sup>82</sup> (Ref: par. .A21–.A22 and .A57)</p>	<p><b><i>Request to Change the Scope of the Engagement (Ref: par. <del>.13</del><del>.12</del>)</i></b> <b>.A21</b> A request to change the scope of the engagement may not have a reasonable justification if, for example, the request is made</p> <ul style="list-style-type: none"> <li>• to exclude certain control objectives at the service organization from the scope of the engagement because of the likelihood that the service auditor’s opinion would be modified with respect to those control objectives.</li> <li>• to prevent the disclosure of deviations identified at a subservice organization by requesting a change from the inclusive method to the carve-out method.</li> </ul> <p><b>.A22</b> A request to change the scope of the engagement may have a reasonable justification when, for example, the request is made because the service organization, a transfer agent, after providing the description of its system to the service auditor, decides that it would like to remove a control objective related to new fund setup because only one fund was set up during the reporting period, and management of the fund had performed its own testing. The service auditor concluded that the removal of the control objective related to new fund setup was reasonable in the circumstances because the objective was not relevant to a broad range of user entities during the examination period.</p>
<p><b>Requesting a Written Assertion</b> <del>.14</del> <del>.13</del> The practitioner should request from management of the service organization a written assertion. If management refuses to provide a written</p>	<p><b>Requesting a Written Assertion (Ref: par. <u>.14</u> and <del>.19</del><del>.13</del> and <del>.18</del>)</b></p>

<sup>82</sup> Paragraph .29 of section 105.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>assertion, the practitioner should withdraw from the engagement when withdrawal is possible under applicable law or regulation. (Ref: par. .A23–.A24)</p>	<p><b>.A23</b> Paragraph <del>14-13</del> applies regardless of whether the responsible party is the engaging party.</p> <p><b>.A24</b> Exhibit B, “Illustrative Assertions by Management of a Service Organization,” contains illustrative management assertions for type 1 and type 2 engagements.</p>
<p><b>Assessing the Suitability of the Criteria</b> <b>.15 .14</b> As required by section 105, the service auditor should assess whether management has used suitable criteria in<sup>24</sup> (Ref: par. .A25–.A26)</p> <ol style="list-style-type: none"> <li>a. preparing its description of the service organization’s system,</li> <li>b. evaluating whether controls were suitably designed to achieve the control objectives stated in the description, and</li> <li>c. evaluating whether controls operated effectively throughout the specified period to achieve the control objectives stated in the description of the service organization’s system, in the case of a type 2 report.</li> </ol>	<p><b>Assessing the Suitability of the Criteria (Ref: par. <del>.15-14</del>)</b> <b>.A25</b> Section 105 requires a practitioner, among other things, to determine whether the subject matter is capable of evaluation against criteria that are suitable and available to users.<sup>10-22</sup> Section 105 also indicates that one of the attributes of an appropriate subject matter is that it is identifiable and capable of consistent measurement or evaluation against the criteria.<sup>11-23</sup> As indicated in section 105, the responsible party (in this case, management of the service organization) 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.<sup>12-24</sup> Section 105 defines the <i>subject matter</i> as the phenomenon that is measured or evaluated by applying criteria.<sup>13-25</sup></p> <p><b>.A26</b> For the purposes of engagements performed in accordance with this section, criteria need to be available to user entities and their auditors to enable them to understand the basis for the service</p>

<sup>24</sup> Paragraph ~~.25b~~ cii of section 105.

<sup>10-22</sup> Paragraph ~~25b~~ cii of section 105.

<sup>11-23</sup> Paragraph ~~.A41a~~ A37a of section 105.

<sup>12-24</sup> Paragraph ~~.A51~~ A47 of section 105.

<sup>13-25</sup> Definition of *subject matter* in paragraph .10 of section 105.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p>organization's assertion about the fair presentation of management's description of the service organization's system, the suitability of the design of controls that address control objectives stated in the description of the system and, in the case of a type 2 report, the operating effectiveness of such controls. Information about suitable criteria is provided in section 105 <sup>1426</sup> Paragraphs <del>.16-.18.15-.17</del> discuss the criteria for evaluating the fairness of the presentation of management's description of the service organization's system and the suitability of the design and operating effectiveness of the controls.</p>
<p><del>.16 .15</del> In assessing the suitability of the criteria to evaluate whether management's description of the service organization's system is fairly presented, the service auditor should determine if the criteria include, at a minimum</p> <ul style="list-style-type: none"> <li>a. whether management's description of the service organization's system presents how the service organization's system was designed and implemented, including the following information about the service organization's system, if applicable: <ul style="list-style-type: none"> <li>i. The types of services provided, including, as appropriate, the classes of transactions processed.</li> <li>ii. The procedures, within both automated and manual systems, by which services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities.</li> </ul> </li> </ul>	

<sup>1426</sup> See footnote ~~922~~.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>iii. The information used in the performance of the procedures, including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions. This includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.</p> <p>iv. How the service organization's system captures and addresses significant events and conditions other than transactions.</p> <p>v. The process used to prepare reports and other information for user entities.</p> <p>vi. Services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them. (Ref: par. .A37)</p> <p>vii. The specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls.</p> <p>viii. Other aspects of the service organization's control environment, risk assessment process, information and communications (including the related business processes), control activities, and monitoring activities that are relevant to the services provided. (Ref: par. .A15 and .A27)</p> <p>b. in the case of a type 2 report, whether management's description of the service organization's system includes relevant details of changes to the service organization's system during the period covered by the description (Ref: par. .A50)</p> <p>c. whether management's description of the service organization's system does not omit or distort information relevant to the service organization's system, while acknowledging that management's</p>	<p><b>Monitoring the Effectiveness of Controls at Subservice Organizations (Ref: par. <del>.16-15</del>viii)</b></p> <p><b>.A27</b> Management's description of the service organization's system and the scope of the service auditor's engagement includes controls at the service organization that monitor the effectiveness of controls at the subservice organization, which may include some combination of ongoing monitoring to determine that potential issues are identified timely and separate evaluations to determine that the effectiveness of internal control is maintained over time. Such monitoring activities may include</p> <ul style="list-style-type: none"> <li>• reviewing and reconciling output reports,</li> <li>• holding periodic discussions with the subservice organization,</li> <li>• making regular site visits to the subservice organization,</li> </ul>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>description of the service organization's system is prepared to meet the common needs of a broad range of user entities and their user auditors, and may not, therefore, include every aspect of the service organization's system that each individual user entity and its user auditor may consider important in its own particular environment.</p>	<ul style="list-style-type: none"> <li>• testing controls at the subservice organization by members of the service organization's internal audit function,</li> <li>• reviewing type 1 or type 2 reports on the subservice organization's system prepared pursuant to this section or section 205, and</li> <li>• monitoring external communications, such as customer complaints relevant to the services by the subservice organization.</li> </ul>
<p><b>.17</b> <del>.16</del> In assessing the suitability of the criteria to evaluate whether the controls are suitably designed, the service auditor should determine if the criteria include, at a minimum, whether</p> <ol style="list-style-type: none"> <li>a. the risks that threaten the achievement of the control objectives stated in management's description of the service organization's system have been identified by management.</li> <li>b. the controls identified in management's description of the service organization's system would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.</li> </ol>	
<p><b>.18</b> <del>.17</del> In assessing the suitability of the criteria to evaluate whether controls operated effectively to provide reasonable assurance that the control objectives stated in management's description of the service organization's system were achieved, the service auditor should determine if the criteria include, at a minimum, whether the controls were consistently applied as designed throughout the specified period, including whether manual controls were applied by individuals who have the appropriate competence and authority.</p>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><del>.19</del> <del>18</del> Section 205 requires a practitioner to Paragraph .02 of this section indicates that the section applies only when management of the service organization is responsible for and willing to provide the service auditor with a written assertion. Accordingly, the service auditor should request from the responsible party a written assertion about the measurement or evaluation of the subject matter against the criteria. <sup>5</sup> The practitioner should determine that management's assertion addresses all the criteria management used to evaluate the fairness of the presentation of the description, the suitability of the design of the controls, and in a type 2 engagement, the operating effectiveness of the controls. (Ref: par. .A25)</p>	
<p><b>Materiality</b> <del>.20</del> <del>19</del> The service auditor's consideration of materiality should include the fair presentation of management's description of the service organization's system, the suitability of the design of controls to achieve the related control objectives stated in the description and, in the case of a type 2 report, the operating effectiveness of the controls to achieve the related control objectives stated in the description. (Ref: par. .A28-.A30)</p>	<p><b>Materiality (Ref: par. <del>.20-19</del>, <del>.26-25</del>, and <del>.28-.29-27-.28</del>)</b> <b>.A28</b> In an engagement to report on controls at a service organization, the concept of materiality relates to the information being reported on, not the financial statements of user entities. The service auditor plans and performs procedures to determine whether, in all material respects, based on the criteria in management's assertion, management's description of the service organization's system is fairly presented; controls at the service organization are suitably designed to achieve the control objectives stated in the description; and, in the case of a type 2 report, controls at the service organization operated effectively throughout the specified period to achieve the control objectives stated in the description. The concept of materiality takes into account that the service auditor's report provides information about the service organization's system to meet the common information needs of a broad range of user entities and their auditors who have an understanding of the manner in which the system is being used by a particular user entity for financial reporting.</p>

<sup>5</sup> ~~Paragraph 10 of section 205~~

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

**Introduction Objectives, Definitions, and Requirements**

**Application and Other Explanatory Material**

**.A29** Materiality with respect to the fair presentation of management's description of the service organization's system and with respect to the design of controls primarily includes the consideration of qualitative factors, for example, whether

- management's description of the service organization's system includes the significant aspects of the processing of transactions.
- management's description of the service organization's system omits or distorts relevant information.
- the controls have the ability, as designed, to provide reasonable assurance that the control objectives stated in management's description of the service organization's system would be achieved. Materiality with respect to the operating effectiveness of controls includes the consideration of both quantitative and qualitative factors, for example, the tolerable rate and observed rate of deviation (a quantitative matter) and the nature and cause of any observed deviations (a qualitative matter).

**.A30** The concept of materiality is not applied when disclosing, in the description of the tests of controls, the results of those tests when deviations have been identified. This is because in the particular circumstances of a specific user entity or user auditor, a deviation may have significance beyond whether or not, in the opinion of the service auditor, it prevents a control from operating effectively. For example, the control to which the deviation relates may be particularly significant in preventing a certain type of error that may be material in the particular circumstances of a user entity's financial statements.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><b>Obtaining an Understanding of the Service Organization's System and Assessing the Risk of Material Misstatement</b> <del>.21</del> <del>20</del> The service auditor should obtain an understanding of the service organization's system, including controls that are included in the scope of the engagement. That understanding should include service organization processes used to (Ref: par. .A31–.A33)</p> <ol style="list-style-type: none"> <li>a. prepare the description of the service organization's system, including the determination of control objectives,</li> <li>b. identify controls designed to achieve the control objectives,</li> <li>c. assess the suitability of the design of the controls, and</li> <li>d. in a type 2 report, assess the operating effectiveness of controls.</li> </ol>	<p><b>Obtaining an Understanding of the Service Organization's System and Assessing the Risk of Material Misstatement (Ref: par. <del>.21</del> <del>20</del> and <del>.23</del> <del>22</del>)</b> .A31 Obtaining an understanding of the service organization's system, including related controls, assists the service auditor in the following:</p> <ul style="list-style-type: none"> <li>• Identifying the boundaries of the system and how it interfaces with other systems</li> <li>• Assessing whether management's description of the service organization's system fairly presents the service organization's system that has been designed and implemented</li> <li>• Understanding which controls are necessary to achieve the control objectives stated in management's description of the service organization's system, whether controls were suitably designed to achieve those control objectives, and, in the case of a type 2 report, whether controls were operating effectively throughout the specified period to achieve those control objectives.</li> <li>• When a separate type 1 or type 2 report exists for a subservice organization, whether management has identified controls that are necessary, either at the service organization or at user entities, to address relevant complementary user entity controls identified in the carved-out subservice organization's description of its system.</li> </ul> <p>.A32 Paragraph <del>1615</del>a(viii) indicates that the criteria for assessing whether management's description of the service organization's system is fairly presented should include other aspects of the service</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p>organization's control environment, risk assessment process, information and communications (including relevant business processes), control activities, and monitoring activities that are relevant to the services provided. Although aspects of the service organization's control environment, risk assessment process, and monitoring activities may not be presented in the description in the context of control objectives, they may, nevertheless, be necessary to achieve the specified control objectives stated in the description. Likewise, deficiencies in these controls may have an effect on the service auditor's assessment of whether the controls, taken as a whole, were suitably designed or operating effectively to achieve the specified control objectives.</p> <p><b>.A33</b> The service auditor's procedures to obtain the understanding may include the following:</p> <ul style="list-style-type: none"> <li>• Inquiring of management and others within the service organization who, in the service auditor's judgment, may have relevant information</li> <li>• Observing operations and inspecting documents, reports, and printed and electronic records of transaction processing</li> <li>• Inspecting a selection of agreements between the service organization and user entities to identify their common terms</li> <li>• Reperforming the application of a control</li> </ul> <p>One or more of the preceding procedures may be accomplished through the performance of a walkthrough.</p>
<p><del>.22</del> <del>.21</del> If the service organization has an internal audit function, part of the service auditor's understanding of the service organization's system should include the following:</p>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>a. The nature of the internal audit function's responsibilities and how the internal audit function fits in the service organization's organizational structure</p> <p>b. The activities performed, or to be performed, by the internal audit function as it relates to the service organization</p>	
<p><del>.23</del> <sup>156</sup> As required by section 205, the service auditor should identify the risks of material misstatement.<sup>156</sup> (Ref: par. .A34–.A35)</p>	<p><b>.A34</b> In a type 1 or type 2 engagement, the risk of material misstatement relates to the risk that, in all material respects, based on the criteria in management's assertion</p> <ul style="list-style-type: none"> <li>a. management's description of the service organization's system is not fairly presented;</li> <li>b. the controls are not suitably designed to provide reasonable assurance that the control objectives stated in management's description of the service organization's system would be achieved if the controls operated effectively; and</li> <li>c. in the case of a type 2 report, the controls did not operate effectively throughout the specified period to achieve the related control objectives stated in management's description of the service organization's system.</li> </ul> <p><b>.A35</b> The risks identified in paragraph .A34 may include those related to new or changed controls, system changes, significant changes in processing volume, new personnel or significant changes in key management or personnel, new types of transactions, new products or technologies, or modifications to the service auditor's opinion in the service auditor's report for the prior year.</p>

<sup>156</sup> Paragraph .18 of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><del>24</del> <del>23</del> The service auditor should read the reports of the internal audit function and regulatory examinations that relate to the services provided to user entities and the scope of the engagement, if any, to obtain an understanding of the nature and extent of the procedures performed and the related findings. The findings should be taken into consideration as part of the risk assessment and in determining the nature, timing, and extent of the tests.</p>	
<p><b>Responding to Assessed Risks and Further Procedures</b>  <del>25</del> <del>24</del> As required by paragraphs .25–.39 of this section and section 205, the service auditor should<sup>167</sup></p> <ul style="list-style-type: none"> <li>a. design and implement overall responses to address the assessed risks of material misstatement for the subject matter and</li> <li>b. design and perform further procedures whose nature, timing, and extent are based on, and responsive to, the assessed risks of material misstatement.</li> </ul>	
<p><b>Obtaining Evidence Regarding Management's Description of the Service Organization's System</b>  <del>26</del> <del>25</del> The service auditor should obtain and read management's description of the service organization's system and should evaluate whether those aspects of the description that are included in the scope of the engagement are presented fairly, in all material respects, based on the criteria in management's assertion, including whether (Ref: par. .A28–.A29. and .A36–.A40)</p> <ul style="list-style-type: none"> <li>a. the control objectives stated in management's description of the service organization's system are reasonable in the circumstances;</li> </ul>	<p><b>Reasonable Assurance (Ref: par. <del>26</del><del>25</del>, <del>28</del>–<del>29</del><del>27</del>–<del>28</del>, and <del>34</del> <del>33</del>)</b>  <b>.A36</b> In a service auditor's examination engagement, the service auditor plans and performs the engagement to obtain reasonable assurance of detecting misstatements in management's description of the service organization's system and instances in which control objectives were not achieved. Absolute assurance is not attainable because of factors such as the need for judgment, the use of sampling, and the inherent limitations of controls at the service organization that affect whether the description is fairly presented and the controls are suitably designed and operating effectively to</p>

<sup>167</sup> Paragraphs .20–.21 of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>b. controls identified in management's description of the service organization's system were implemented;</p> <p>c. complementary user entity controls and complementary subservice organization controls, if any, are adequately described; and</p> <p>d. services performed by a subservice organization, if any, are adequately described, including whether the carve-out method or the inclusive method has been used in relation to them.</p>	<p>achieve the control objectives, and because much of the evidence available to the service auditor is persuasive, rather than conclusive, in nature. Also, procedures that are effective for detecting unintentional misstatements in the description, and instances in which control objectives were not achieved, may be ineffective for detecting misstatements in the description resulting from fraud and instances in which the control objectives were not achieved that are concealed through collusion between service organization personnel and a third party or among management or employees of the service organization. Therefore, the subsequent discovery of the existence of material misstatements in the description or instances in which control objectives were not achieved does not, in and of itself, evidence inadequate planning, performance, or judgment on the part of the service auditor.</p> <p><b>Obtaining Evidence Regarding Management's Description of the Service Organization's System (Ref: par. <del>16-15</del>avi and <del>26-27, 25-26</del>)</b></p> <p><b>.A37</b> Considering the following questions may assist the service auditor in determining whether management's description of the service organization's system is fairly presented, in all material respects, based on the criteria in management's assertion:</p> <ul style="list-style-type: none"><li>• Is the description prepared at a level of detail that could reasonably be expected to provide a broad range of user auditors with sufficient information to obtain an understanding of internal control in accordance with AU-C section 402? The description need not address every aspect of the service organization's processing or the services provided to user entities and need not be so detailed that it would potentially enable a reader to compromise security or other controls at the service organization.</li></ul>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"><li>• Is the description prepared in a manner that does not omit or distort information that might affect the decisions of a broad range of user auditors, for example, does the description contain any significant omissions or inaccuracies regarding processing of which the service auditor is aware?</li><li>• Does the description include relevant details of changes to the service organization's system during the period covered by the description when the description covers a period of time?</li><li>• Have the controls identified in the description actually been implemented?</li><li>• If the inclusive method has been used, does the description separately identify controls at the service organization and controls at the subservice organization? Does the description include activities at the service organization that monitor the effectiveness of controls at the subservice organization?</li><li>• Are complementary user entity controls, if any, adequately described? In most cases, the control objectives stated in the description are worded so that they are capable of being achieved through the effective operation of controls implemented by the service organization alone. In some cases, however, the control objectives stated in the description cannot be achieved by the service organization alone because their achievement requires particular controls to be implemented by user entities. For example, to achieve the specified control objectives, a user entity may need to review the completeness and accuracy of input provided to the service organization before submitting it to the service organization or the</li></ul>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p>completeness and accuracy of reports provided to the user entity subsequent to processing. When the description does include complementary user entity controls, the description separately identifies those controls, along with the specific control objectives that cannot be achieved by the service organization alone.</p> <ul style="list-style-type: none"> <li>• If the carve-out method has been used, does the description identify the functions that are performed by the subservice organization? (When the carve-out method has been used, the description does not describe the detailed processing or controls at the subservice organization.) Does the description include activities at the service organization that monitor the effectiveness of controls at the subservice organization as well as complementary subservice organization controls?</li> </ul> <p><b>.A38</b> The service auditor's procedures to evaluate the fair presentation of management's description of the service organization's system may include the following:</p> <ul style="list-style-type: none"> <li>• Considering the nature of the user entities and how the services provided by the service organization are likely to affect them, for example, the predominant types of user entities, and whether the user entities are regulated by government agencies</li> <li>• Reading contracts with user entities to gain an understanding of the service organization's contractual obligations</li> <li>• Observing procedures performed by service organization personnel</li> </ul>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"><li>• Reviewing the service organization's policy and procedure manuals and other documentation of the system, for example, flowcharts and narratives</li><li>• Performing walkthroughs of transactions through the service organization's system</li></ul> <p><b>.A39</b> Paragraph <del>26-25</del><i>a</i> requires the service auditor to evaluate whether the control objectives stated in management's description of the service organization's system are reasonable in the circumstances. Considering the following questions may assist the service auditor in this evaluation:</p> <ul style="list-style-type: none"><li>• Do the control objectives stated in the description relate to the types of assertions commonly embodied in the broad range of user entities' financial statements to which controls at the service organization could reasonably be expected to relate (for example, assertions about existence and accuracy that are affected by access controls that prevent or detect unauthorized access to the system)? Although the service auditor ordinarily will not be able to determine how controls at a service organization specifically relate to the assertions embodied in individual user entities' financial statements, the service auditor considers matters, such as the following, when identifying the types of assertions to which the controls are likely to relate:<ul style="list-style-type: none"><li>— The types of services provided by the service organization, including the classes of transactions processed</li><li>— The contents of reports and other information prepared for user entities</li><li>— The information used in the performance of procedures</li></ul></li></ul>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<ul style="list-style-type: none"><li>— The types of significant events other than transactions that occur in providing the services</li><li>— Services performed by a subservice organization, if any</li><li>— The responsibility of the service organization to implement controls, including responsibilities established in contracts and agreements with user entities</li><li>— The risks to a user entity's internal control over financial reporting arising from information technology used or provided by the service organization</li><li>• Are the control objectives stated in the description complete? Although a complete set of control objectives can provide a broad range of user auditors with a framework to assess the effect of controls at the service organization on assertions commonly embodied in user entities' financial statements, the service auditor ordinarily will not be able to determine how controls at a service organization specifically relate to the assertions embodied in individual user entities' financial statements and cannot, therefore, determine whether control objectives are complete from the viewpoint of individual user entities or user auditors. It is the responsibility of individual user entities or user auditors to assess whether the service organization's description addresses the particular control objectives that are relevant to their needs. If the control objectives are specified by an outside party, including control objectives specified by law or regulation, the outside party is responsible for their completeness and reasonableness.</li></ul>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><del>.27</del> <del>.26</del> The service auditor should determine through inquiries made in combination with other procedures whether the service organization's system has been implemented. (Ref: par. .A40)</p>	<p><b>.A40</b> The service auditor's procedures to determine whether the system described by the service organization has been implemented may be similar to, and performed in conjunction with, procedures to obtain an understanding of that system. Other procedures that the service auditor may use in combination with inquiry of management and other service organization personnel include observation, inspection of records and other documentation, and reperformance of the manner in which transactions are processed through the system and controls are applied.</p>
<p><b>Obtaining Evidence Regarding the Design of Controls</b> <del>.28</del> <del>.27</del> The service auditor should assess whether the controls that management identified in its description of the service organization's system as the controls that achieve the control objectives were suitably designed to achieve those control objectives by (Ref: par. .A28-.A29, .A36, and .A41-.A45)</p> <ul style="list-style-type: none"> <li>a. obtaining an understanding of management's process for identifying and evaluating the risks that threaten the achievement of the control objectives and assessing the completeness and accuracy of management's identification of those risks,</li> <li>b. evaluating the linkage of the controls identified in management's description of the service organization's system with those risks, including risks arising from each of the described classes of transactions and risks that IT poses to the user entity's internal control over financial reporting, and</li> <li>c. determining that the controls have been implemented.</li> </ul>	<p><b>Obtaining Evidence Regarding the Design of Controls (Ref: par. <del>.28</del>.<del>27</del>)</b></p> <p><b>.A41</b> The risks and control objectives identified in paragraph <del>.27</del>.<del>28</del> encompass fraud and unintentional acts that threaten the achievement of the control objectives.</p> <p><b>.A42</b> From the viewpoint of a user auditor, a control is suitably designed to achieve the control objectives stated in management's description of the service organization's system if individually or in combination with other controls, it would, when complied with satisfactorily, provide reasonable assurance that material misstatements are prevented, or detected and corrected. A service auditor, however, is not aware of the circumstances at individual user entities that would affect whether or not a misstatement is material to those user entities. Therefore, from the viewpoint of a service auditor, a control is suitably designed if individually or in combination with other controls, it would, when complied with satisfactorily, provide reasonable assurance that the control objective(s) stated in the description of the service organization's system are achieved.</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p><b>.A43</b> A service auditor may consider using flowcharts, questionnaires, or decision tables to facilitate understanding the design of the controls.</p> <p><b>.A44</b> Controls may consist of a number of activities directed at the achievement of various control objectives. Consequently, if the service auditor evaluates certain activities as being ineffective in achieving a particular control objective, the existence of other activities may allow the service auditor to conclude that controls related to the control objective are suitably designed to achieve the control objective. (Ref: par. <del>.28-27</del>)</p> <p><b>.A45</b> The service organization may have different controls in place to address each of the risks associated with the control objective; therefore, multiple controls may be needed in order for the service auditor to conclude on the design of controls relating to each of the risks associated with the control objective.</p>
<p><b>Obtaining Evidence Regarding the Operating Effectiveness of Controls</b>  <del>.29-28</del> When performing a type 2 engagement, the service auditor should test those controls that management has identified in its description of the service organization's system as the controls that achieve the control objectives and should assess the operating effectiveness of those controls throughout the period. Evidence obtained in prior engagements about the satisfactory operation of controls in prior periods does not provide a basis for a reduction in testing, even if it is supplemented with evidence obtained during the current period. (Ref: par. .A28-.A30, .A36, and .A46-.A51)</p>	<p><b>Obtaining Evidence Regarding the Operating Effectiveness of Controls (Ref: par. <del>.16-15b</del> and <del>.29-30-28-29</del>)</b></p> <p><b>.A46</b> From the viewpoint of a user auditor, a control is operating effectively if individually or in combination with other controls, it provides reasonable assurance that material misstatements are prevented, or detected and corrected. A service auditor, however, is not aware of the circumstances at individual user entities that would affect whether or not a misstatement resulting from a control deviation is material to those user entities. Therefore, from the viewpoint of a service auditor, a control is operating effectively if, individually or in combination with other controls, it provides</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
	<p>reasonable assurance that the control objectives stated in management's description of the service organization's system are achieved. Similarly, a service auditor is not in a position to determine whether any observed control deviation would result in a material misstatement from the viewpoint of an individual user entity.</p> <p><b>.A47</b> Obtaining an understanding of controls sufficient to opine on the suitability of their design is not sufficient evidence regarding their operating effectiveness unless some automation provides for the consistent operation of the controls as they were designed and implemented. For example, obtaining information about the implementation of a manual control at a point in time does not provide evidence about operation of the control at other times. However, because of the inherent consistency of IT processing, performing procedures to determine the design of an automated application control and whether it has been implemented may serve as evidence of that control's operating effectiveness, depending on the service auditor's assessment and testing of IT general controls such as those over program changes.</p> <p><b>.A48</b> Evidence about the satisfactory operation of controls in prior periods does not provide evidence of the operating effectiveness of controls during the current period. The service auditor expresses an opinion on the effectiveness of controls throughout each period; therefore, sufficient appropriate evidence about the operating effectiveness of controls throughout the current period is required for the service auditor to express that opinion for the current period. Knowledge of modifications to the service auditor's report or deviations observed in prior engagements may, however, be</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p>considered in assessing risk and lead the service auditor to increase the extent of testing during the current period.</p> <p><b>.A49</b> Generally, a type 2 report(s) is most useful to user entities and their auditors when it covers a substantial portion of the period covered by the user entity's financial statements being audited.</p> <p><b>.A50</b> Determining the effect of changes in the service organization's controls that were implemented during the period covered by the service auditor's report involves gathering information about the nature and extent of such changes, how they affect processing at the service organization, and how they might affect assertions in the user entities' financial statements.</p> <p><b>.A51</b> Certain controls may not leave evidence of their operation that can be tested at a later date and, accordingly, the service auditor may find it appropriate to test the operating effectiveness of such controls at various times throughout the reporting period.</p>
<p><b><del>30</del> 29</b> When performing a type 2 engagement, the service auditor should obtain an understanding of changes in the service organization's system that were implemented during the period covered by the service auditor's report. If the service auditor believes the changes would be considered significant by user entities and their auditors, the service auditor should determine whether those changes are included in management's description of the service organization's system. If such changes are not included in the description, the service auditor should describe the changes in the report and determine the effect on the report. If superseded controls are relevant to the achievement of the control objectives stated in the description, the service auditor should, if possible, test the superseded controls before the change. If</p>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>the service auditor cannot test superseded controls relevant to the achievement of the control objectives stated in the description, the service auditor should determine the effect on the report. (Ref: par. .A50–.A51)</p>	
<p><b>Evaluating the Reliability of Information Produced by the Service Organization</b> <del>31</del> <del>30</del> When using information produced by the service organization, section 205 requires the service auditor to evaluate whether such information is sufficiently reliable for the service auditor’s purposes by obtaining evidence about its accuracy and completeness and evaluating whether the information is sufficiently precise and detailed<sup>17*</sup> (Ref: par. .A52)</p>	<p><b>Evaluating the Reliability of Information Produced by the Service Organization (Ref: par. <del>31</del><del>30</del>)</b> <b>.A52</b> The following are examples of information produced by a service organization that are commonly used by a service auditor:</p> <ul style="list-style-type: none"> <li>• Population lists the service auditor uses to select a sample of items for testing</li> <li>• Lists of data that have specific characteristics</li> <li>• Exception reports</li> <li>• Transaction reconciliations</li> <li>• Documentation that provides evidence of the operating effectiveness of controls, such as user access lists</li> <li>• System-generated reports</li> <li>• Other system-generated data</li> </ul>
<p><del>32</del> <del>31</del> When designing and performing tests of controls, the service auditor should</p> <p>a. perform other procedures such as inspection, observation, or reperformance in combination with inquiry to obtain evidence about the following:</p> <ol style="list-style-type: none"> <li>i. How the control was applied</li> <li>ii. The consistency with which the control was applied</li> <li>iii. By whom or by what means the control was applied</li> </ol>	

<sup>17</sup> \*Paragraph .35 of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>b. determine whether the controls to be tested depend on other controls, and if <del>so</del> <u>they do depend on other controls</u>, whether it is necessary to obtain evidence supporting the operating effectiveness of those other controls.</p> <p>c. determine an effective method for selecting the items to be tested to meet the objectives of the procedure.</p>	
<p><b>Nature and Cause of Deviations</b>  <del>.33</del> <del>32</del> The service auditor should investigate the nature and cause of any deviations identified and should determine whether</p> <p>a. identified deviations are within the expected rate of deviation and are acceptable. If <u>the identified deviations are acceptable</u> <del>so</del>, the testing that has been performed provides an appropriate basis for concluding that the control operated effectively throughout the specified period.</p> <p>b. additional testing of the control or other controls is necessary to reach a conclusion about whether the controls related to the control objectives stated in management's description of the service organization's system operated effectively throughout the specified period.</p> <p>c. the testing that has been performed provides an appropriate basis for concluding that the control did not operate effectively throughout the specified period.</p>	
<p><del>.34</del> <del>33</del> If, as a result of performing the procedures in paragraph <del>.33</del> <del>32</del>, the service auditor becomes aware that any identified deviations have resulted from fraud by service organization personnel, the service auditor should assess the risk that management's description of the service organization's system is not fairly presented, the controls are not suitably designed and, in</p>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>a type 2 engagement, the controls are not operating effectively. (Ref: par. .A36)</p>	
<p><del>.35</del> <del>34</del> If the service auditor becomes aware of incidents of noncompliance with laws or regulations, fraud or uncorrected misstatements attributable to management or other service organization personnel that are not clearly trivial and that may affect one or more user entities, the service auditor should determine the effect of such incidents on management's assertion, management's description of the service organization's system, the achievement of the control objectives, and the service auditor's report.</p>	
<p><b>Subsequent Events</b> <del>.36</del> <del>35</del> In performing subsequent events procedures as required by section 205, if the service auditor becomes aware of an event that is of such a nature and significance that its disclosure is necessary to prevent users of a type 1 or type 2 report from being misled, and information about that event is not disclosed by management in its description, the service auditor should disclose such event in the service auditor's report<sup>189</sup></p>	
<p><b>Written Representations</b> <del>.37</del> <del>36</del> In addition to the written representations from management required by section 205, the service auditor should request written representations <del>indicating that</del><sup>19</sup> (Ref: par. .A53-.A56)</p> <p><i>a.</i> <u>acknowledging management's responsibility for its assertion.</u> <i>b.</i> <u>indicating that all relevant matters are reflected in the measurement or evaluation of the fairness of the presentation of the description of the service organization's system, the suitability of the design of the</u></p>	<p><b>Written Representations (Ref: par. <del>.13-12</del> and <del>.37-.39-36-38</del>)</b></p> <p><b>.A53</b> Written representations reaffirming the service organization's assertion about the effective operation of controls may be based on ongoing monitoring activities, separate evaluations, or a combination of the two.</p>

<sup>189</sup> Paragraph .48 and .A56 of section 205.

<sup>19</sup> <sup>40</sup> Paragraph .50 of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><u>controls included in the description and, in a type 2 engagement, the operating effectiveness of those controls, based on the criteria in management's assertion.</u></p> <p><u>c. indicating that management</u> <del>is</del> has disclosed to the service auditor any of the following of which it is aware:<sup>10</sup> (Ref: par. .A53–.A56)</p> <p><del>i.</del> Instances of noncompliance with laws and regulations or uncorrected misstatements attributable to the service organization that may affect one or more user entities</p> <p>ii. Knowledge of any actual, suspected, or alleged fraud by management or the service organization's employees that could adversely affect the fairness of the presentation of management's description of the service organization's system or the completeness or achievement of the control objectives stated in the description</p> <p><del>.38</del> <del>37</del> If a service organization uses a subservice organization and management's description of the service organization's system uses the inclusive method, the service auditor should also obtain the written representations identified in section 205 and paragraph <del>37</del><del>36</del> of this section from management of the subservice organization.<sup>20</sup>† (Ref: par. .A53–.A56 )</p> <p><del>.39</del> <del>38</del> In a type 1 or type 2 engagement, the practitioner should request from the responsible party (in this case, management of the service organization), the written representations required by section 205 and paragraph <del>37</del><del>36</del> of this section, even if the engaging party is not the responsible party. <del>The alternative to obtaining the required written representations provided for in section 205 is not permitted in a type 1 or</del></p>	<p><b>.A54</b> In certain circumstances, a service auditor may obtain written representations from parties in addition to management of the service organization, such as those charged with governance.</p> <p><b>.A55</b> The written representations required by paragraph <del>37</del><del>36</del> are separate from and in addition to the assertion that accompanies management's description of the service organization's system.</p> <p><b>.A56</b> In addition to the written representations required by paragraph <del>37</del><del>36</del>, the service auditor may consider it necessary to request other written representations.</p> <p><b>.A57</b> If the service auditor is unable to obtain written representations regarding relevant control objectives and related controls at the subservice organization, management of the service organization may be able to use the carve-out method.</p>

<sup>20</sup> † See footnote ~~19~~~~10~~.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><del>type 2 engagement.</del><sup>12</sup> The refusal by management of the service organization (or by management of a subservice organization that is being presented using the inclusive method) to furnish the written representations required by section 205 and paragraph <del>37-36</del> of this section constitutes a limitation on the scope of the engagement sufficient to preclude an unmodified opinion and may be sufficient to cause the service auditor to withdraw from the examination engagement when withdrawal is possible under applicable law or regulation.<sup>21+3</sup> (Ref: par. .A53–.A57)</p>	
<p><b>Other Information</b> <del>.40-39</del> Section 205 contains requirements for situations in which prior to or after the release of the practitioner's report on subject matter or an assertion, the practitioner is willing to permit the inclusion of the report in a document that contains the subject matter or assertion on which the service auditor reported and other information.<sup>22+4</sup> (Ref: par. .A58)</p>	<p><b>Other Information (Ref: par. <del>.40-39</del>, <del>.41-40ciii</del>, and <del>.42eiii</del>)</b> <b>.A58</b> The other information referred to in paragraph <del>.40-39</del> may include</p> <ul style="list-style-type: none"> <li>• information provided by the service organization and included in a separate section of the type 1 or type 2 report, or</li> <li>• information outside the type 1 or type 2 report included in a document that contains the service auditor's report. This other information may be provided by the service organization or another party.</li> </ul>
<p><b>Content of the Service Auditor's Report</b> <del>.41-40</del> A service auditor's type 2 report should include the following: (Ref: par. .A59–.A60)</p> <ol style="list-style-type: none"> <li>A title that includes the word <i>independent</i>.</li> <li>An appropriate addressee as required by the circumstances of the engagement.</li> <li>Identification of the following:</li> </ol>	<p><b>Content of the Service Auditor's Report (Ref: par. <del>.41-40</del> and <del>.42-41</del>)</b> <b>.A59</b> Examples of service auditors' reports are presented in exhibit A of this section, and illustrative assertions by management of the service organization are presented in exhibit B.</p>

<sup>12</sup> ~~Paragraph .51 of section 205.~~

<sup>21+3</sup> Paragraphs ~~.50~~, ~~.54-55~~, and ~~.A68-A64~~ of section 205.

<sup>22+4</sup> Paragraph ~~.55-57~~ of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>i. Management's description of the service organization's system, the function performed by the system, and the period to which the description relates</p> <p>ii. The criteria identified in management's assertion against which the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description were evaluated</p> <p>iii. Any information included in a document containing the report that is not covered by the report (Ref: par. .A58)</p> <p>iv. Any services performed by a subservice organization and whether the carve-out method or the inclusive method was used in relation to them. Depending on which method is used, the following should be included:</p> <p>(1) If the carve-out method was used, a statement indicating that (Ref: par. .A61)</p> <p>(a) management's description of the service organization's system excludes the control objectives and related controls of the relevant subservice organizations</p> <p>(b) certain control objectives specified by the service organization can be achieved only if complementary subservice organization controls assumed in the design of the service organization's controls are suitably designed and operating effectively</p> <p>(c) the service auditor's procedures do not extend to such complementary subservice organization controls</p> <p>(2) If the inclusive method was used, a statement that management's description of the service organization's</p>	<p><b>.A60</b> The list of report elements in paragraphs <del>41-40</del> and <del>42-41</del> constitutes all the required report elements for a service auditor's type 2 and type 1 engagement, respectively, including the elements required by section 205.<sup>23<del>27</del></sup> Application guidance regarding the elements of a practitioner's examination report is included in section 205<sup>23-28</sup> (Ref: par. <del>41-40</del>)</p> <p><b>.A61</b> The following is an example of the information required by paragraphs <del>41-40</del>civ(1) and <del>42-41</del>civ(1):</p> <p>As indicated in the description, XYZ Service Organization uses a subservice organization for all of its computerized application processing. The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization. The description also indicates that certain control objective specified by XYZ Service Organization can be achieved only if complementary subservice organization controls assumed in the design of XYZ Service Organization's</p>

<sup>23 27</sup> Paragraphs ~~62-65-63-66~~ of section 205.

<sup>23 28</sup> Paragraphs ~~A85-A111-A78-A101~~ of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>system includes the subservice organization's specified control objectives and related controls, and that the service auditor's procedures included procedures related to the subservice organization</p> <p>d. A statement that the controls and control objectives included in the description are those that management believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the system that are not likely to be relevant to user entities' internal control over financial reporting.</p> <p>e. If management's description of the service organization's system refers to the need for complementary user entity controls, a statement that the service auditor has not evaluated the suitability of the design or operating effectiveness of complementary user entity controls, and that the control objectives stated in the description can be achieved only if complementary user entity controls are suitably designed and operating effectively, along with the controls at the service organization.</p> <p>f. A reference to management's assertion and a statement that management is responsible for</p> <ol style="list-style-type: none"> <li>i. preparing the description of the service organization's system and the assertion, including the completeness, accuracy, and method of presentation of the description and assertion.</li> <li>ii. providing the services covered by the description of the service organization's system.</li> <li>iii. specifying the control objectives and stating them in the description of the service organization's system.</li> <li>iv. identifying the risks that threaten the achievement of the control objectives.</li> <li>v. selecting the criteria.</li> </ol>	<p>controls are suitably designed and operating effectively, along with related controls at XYZ Service Organization. Our examination did not extend to controls of the subservice organization, and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<ul style="list-style-type: none"><li>vi. designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description of the service organization's system.</li><li>g. A statement that the service auditor is responsible for expressing an opinion on the fairness of the presentation of management's description of the service organization's system and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description based on the service auditor's examination.</li><li>h. A statement that<ul style="list-style-type: none"><li>i. the examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.</li><li>ii. those standards require that the service auditor plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, management's description of the service organization's system is fairly presented and the controls are suitably designed and operating effectively throughout the specified period to achieve the related control objectives.</li><li>iii. the service auditor believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the service auditor's opinion.</li></ul></li><li>i. A statement that an examination of management's description of a service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives stated in the description involves<ul style="list-style-type: none"><li>i. performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the</li></ul></li></ul>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>design and operating effectiveness of the controls to achieve the related control objectives stated in the description based on the criteria in management's assertion.</p> <ul style="list-style-type: none"> <li>ii. assessing the risks that management's description of the service organization's system is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives.</li> <li>iii. testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in management's description of the service organization's system were achieved.</li> <li>iv. evaluating the overall presentation of management's description of the service organization's system, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.</li> </ul> <p>j. A description of the inherent limitations of controls, including that projecting to the future any evaluation of the fairness of the presentation of management's description of the service organization's system or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become ineffective.</p> <p>k. A reference to a description of the service auditor's tests of controls and the results thereof that includes (Ref: par. .A62)</p> <ul style="list-style-type: none"> <li>i. an identification of the controls that were tested.</li> <li>ii. whether the items tested represent all or a selection of the items in the population.</li> <li>iii. the nature of the tests in sufficient detail to enable user auditors to determine the effect of such tests on their risk assessments.</li> <li>iv. any identified deviations in the operation of controls included in the description, the extent of testing performed by the service</li> </ul>	<p><b>Description of the Service Auditor's Tests of Controls and the Results Thereof (Ref: par. <del>.4140k</del>)</b></p> <p><b>.A62</b> The service auditor may include in the description of tests of controls and results the procedures the service auditor performed to verify the completeness and accuracy of information provided by the service organization.</p> <p><b>.A63</b> In describing the service auditor's tests of controls and results thereof for a type 2 report, it is helpful to readers if the service</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>auditor that led to the identification of the deviations (including the number of items tested), and the number and nature of the deviations noted (even if, on the basis of tests performed, the service auditor concludes that the related control objective was achieved). (Ref: par. .A63)</p> <p>v. if the work of the internal audit function has been used in tests of controls to obtain evidence, a description of the internal auditor's work and of the service auditor's procedures with respect to that work. (Ref: par. .A64–.A66)</p>	<p>auditor's report includes information about causative factors for identified deviations, to the extent the service auditor has identified such factors.</p> <p><b>.A64</b> When the work of the internal audit function has been used in performing tests of controls, the service auditor's description of that work and of the service auditor's procedures with respect to that work may be presented in a number of ways, for example</p> <ul style="list-style-type: none"> <li>• by including introductory material to the description of tests of controls indicating that certain work of the internal audit function was used in performing tests of controls and describing the service auditor's procedures with regard to that work.</li> <li>• by attributing individual tests to internal audit and describing the service auditor's procedures with regard to that work.</li> </ul> <p><b>.A65</b> The work of the internal audit function referred to in paragraph <del>.4140k</del>(v) does not include tests of controls performed by internal auditors as a part of direct assistance.</p> <p><b>.A66</b> Other than the description of the work of the internal auditors referred to in paragraph <del>.4140k</del>v, the service auditor's report does not make any reference to the use of the work of the internal audit function to obtain evidence or to the use of internal auditors to provide direct assistance.</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><u>l.</u> A statement that the practitioner is independent and has fulfilled the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement</p> <p><del>m.</del> The service auditor's opinion on whether, in all material respects, based on the criteria described in management's assertion</p> <ol style="list-style-type: none"> <li>i. management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period.</li> <li>ii. the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the specified period.</li> <li>iii. the controls operated effectively to provide reasonable assurance that the control objectives stated in management's description of the service organization's system were achieved throughout the specified period.</li> <li>iv. if the application of complementary user entity controls is necessary to achieve the related control objectives stated in management's description of the service organization's system, a statement to that effect.</li> <li>v. if the application of complementary subservice organization controls is necessary to achieve the related control objectives stated in management's description of the service organization's system, a statement to that effect.</li> </ol> <p><del>n.</del> An alert, in a separate paragraph, that restricts the use of the report. The alert should (Ref: par. .A67–.A72)</p> <ol style="list-style-type: none"> <li>i. state that the report, including the description of tests of controls and results thereof, is intended solely for the information and use</li> </ol>	<p><i>Use of the Service Auditor's Report (Ref: par. <del>.41-40nm</del> and <del>.42-41nm</del>)</i></p> <p><b>.A67</b> Section 205 requires that the use of a practitioner's report be restricted to specified parties when the criteria used to evaluate or measure the subject matter are available only to specified parties or appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.<sup>2629</sup> The criteria used for</p>

<sup>26</sup> <sup>29</sup> Paragraph ~~6463b~~ of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>of management of the service organization, user entities of the service organization's system during some or all of the period covered by the report, and the auditors who audit and report on such user entities' financial statements or internal control over financial reporting.</p> <p>ii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.<sup>25+5</sup></p>	<p>engagements to report on controls at a service organization are relevant only for the purpose of providing information about the service organization's system, including controls, to those who have an understanding of how the system is used for financial reporting by user entities and, accordingly, the service auditor's report states that the report and the description of tests of controls are intended only for use by management of the service organization, user entities of the service organization ("during some or all of the period covered by the service auditor's report" for a type 2 report, and "as of the specified date" for a type 1 report), and their user auditors. (The illustrative reports in exhibit A of this section illustrate language for a paragraph restricting the use of the report.)</p> <p><b>.A68</b> Section 205 indicates that the need for restriction on the use of a practitioner's report may result from a number of circumstances, including the potential for the report to be misunderstood when taken out of the context in which it was intended to be used, and the extent to which the procedures performed are known or understood.<sup>27<del>30</del></sup></p> <p><b>.A69</b> Although the alert language in the service auditor's report restricts the use of the report, a service auditor is not responsible for controlling a service organization's distribution of a report. A service auditor may inform the service organization of the following:</p> <ul style="list-style-type: none"> <li>• A service auditor's type 1 report is not intended for distribution to parties other than the service organization, user entities of the service organization's system as of the</li> </ul>

<sup>25</sup> ~~Paragraph .65 or .66, 64 or .65~~ of section 205.

<sup>27</sup> ~~Paragraph A100-A110~~ of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
	<p>end of the period covered by the report, and their user auditors.</p> <ul style="list-style-type: none"><li>• A service auditor's type 2 report is not intended for distribution to parties other than the service organization, user entities of the service organization's system during some or all of the period covered by the report, and their user auditors.</li></ul> <p><b>.A70</b> A user entity is also considered a user entity of the service organization's subservice organizations if controls at subservice organizations are relevant to internal control over financial reporting of the user entity. In such case, the user entity is referred to as an <i>indirect</i> or <i>downstream</i> user entity of the subservice organization. Consequently, an indirect or downstream user entity may be included in the group to whom use of the service auditor's report is restricted if controls at the service organization are relevant to internal control over financial reporting of such indirect or downstream user entity.</p> <p><b>.A71</b> In engagements in which the inclusive method is used, the users of a subservice organization's system that are not users of the service organization's system, are not <i>user entities</i>, as defined in paragraph <del>.09 08.</del></p> <p><b>.A72</b> In engagements in which the inclusive method is used, management of a subservice organization may be identified as a specified party and, if so, would be included in the alert language described in paragraphs <del>.41-40n##</del> and <del>.42-41n##</del>.</p>

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p><del>o#</del>. The manual or printed signature of the service auditor's firm.  <del>p#</del>. The city and state where the service auditor practices.  <del>q#</del>. The date of the report. (The report should be dated no earlier than the date on which the service auditor has obtained sufficient appropriate evidence on which to base the service auditor's opinion, including evidence that</p> <ul style="list-style-type: none"> <li>i. management's description of the service organization system has been prepared,</li> <li>ii. management has provided a written assertion, and</li> <li>iii. the attestation documentation has been reviewed.)</li> </ul>	
<p><del>.42 .41</del> A service auditor's type 1 report should include the following: (Ref: par. .A59 and .A72)</p> <ul style="list-style-type: none"> <li>a. A title that includes the word <i>independent</i>.</li> <li>b. An appropriate addressee as required by the circumstances of the engagement.</li> <li>c. Identification of the following: <ul style="list-style-type: none"> <li>i. Management's description of the service organization's system, the function performed by the system, and the specified date to which the description relates.</li> <li>ii. The criteria identified in management's assertion against which the fairness of the presentation of the description and the suitability of the design of the controls to achieve the related control objectives stated in the description were evaluated.</li> <li>iii. Any information included in a document containing the report that is not covered by the report. (Ref: par. .A58)</li> <li>iv. Any services performed by a subservice organization and whether the carve-out method or the inclusive method was used in relation to them. Depending on which method is used, the following should be included:</li> </ul> </li> </ul>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>(1) If the carve-out method was used, a statement indicating that (Ref: par. .A61)</p> <ul style="list-style-type: none"><li>(a) management's description of the service organization's system excludes the control objectives and related controls of the relevant subservice organizations.</li><li>(b) certain control objectives specified by the service organization can be achieved only if complementary subservice organization controls assumed in the design of the service organization's controls are suitably designed and operating effectively.</li><li>(c) the service auditor's procedures do not extend to such complementary subservice organization controls.</li></ul> <p>(2) If the inclusive method was used, a statement that management's description of the service organization's system includes the subservice organization's specified control objectives and related controls, and that the service auditor's procedures included procedures related to the subservice organization.</p> <p>d. A statement that the controls and control objectives included in the description are those that management believes are likely to be relevant to user entities' internal control over financial reporting, and the description does not include those aspects of the system that are not likely to be relevant to user entities' internal control over financial reporting.</p> <p>e. If management's description of the service organization's system refers to the need for complementary user entity controls, a statement that the service auditor has not evaluated the suitability of the design or operating effectiveness of complementary user entity controls, and that the control objectives stated in the description can be achieved only if complementary user entity controls are suitably designed and</p>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>operating effectively, along with the controls at the service organization.</p> <p>f. A reference to management's assertion and a statement that management is responsible for</p> <ul style="list-style-type: none"><li>i. preparing the description of the service organization's system and the assertion, including the completeness, accuracy, and method of presentation of the description and assertion.</li><li>ii. providing the services covered by the description of the service organization's system.</li><li>iii. specifying the control objectives and stating them in the description of the service organization's system.</li><li>iv. identifying the risks that threaten the achievement of the control objectives.</li><li>v. selecting the criteria.</li><li>vi. designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description of the service organization's system.</li></ul> <p>g. A statement that the service auditor is responsible for expressing an opinion on the fairness of the presentation of management's description of the service organization's system and on the suitability of the design of the controls to achieve the related control objectives stated in the description, based on the service auditor's examination.</p> <p>h. A statement that</p> <ul style="list-style-type: none"><li>i. the examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.</li><li>ii. those standards require that the service auditor plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, management's description of the service organization's</li></ul>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>system is fairly presented, and the controls are suitably designed as of the specified date to achieve the related control objectives.</p> <p>iii. the service auditor believes the evidence obtained is sufficient and appropriate to provide a reasonable basis for the service auditor's opinion.</p> <p>i. A statement that an examination of management's description of a service organization's system and the suitability of the design of the service organization's controls to achieve the related control objectives stated in the description involves</p> <p>i. performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion.</p> <p>ii. assessing the risks that management's description of the service organization's system is not fairly presented and that the controls were not suitably designed to achieve the related control objectives.</p> <p>iii. evaluating the overall presentation of management's description of the service organization's system, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.</p> <p>j. A description of the inherent limitations of controls, including that projecting to the future any evaluation of the fairness of the presentation of management's description of the service organization's system or conclusions about the suitability of the design of the controls to achieve the related control objectives is subject to the risk that controls at a service organization may become ineffective.</p>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p><i>k.</i> A statement the service auditor has not performed any procedures regarding the operating effectiveness of controls and, therefore, expresses no opinion thereon.</p> <p><i>l.</i> <u>A statement that the practitioner is independent and has fulfilled the practitioner's other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement.</u></p> <p><del><i>m.</i></del> The service auditor's opinion on whether, in all material respects, based on the criteria described in management's assertion</p> <ul style="list-style-type: none"><li><i>i.</i> management's description of the service organization's system fairly presents the service organization's system that was designed and implemented as of the specified date.</li><li><i>ii.</i> the controls related to the control objectives stated in management's description of the service organization's system were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively as of the specified date.</li><li><i>iii.</i> if the application of complementary user entity controls is necessary to achieve the related control objectives stated in management's description of the service organization's system, a statement to that effect.</li><li><i>iv.</i> if the application of complementary subservice organization controls is necessary to achieve the related control objectives stated in management's description of the service organization's system, a statement to that effect.</li></ul> <p><del><i>n.</i></del> An alert, in a separate paragraph, that restricts the use of the report. The alert should (Ref: par. .A67-.A72)</p> <ul style="list-style-type: none"><li><i>i.</i> state that the report is intended solely for the information and use of management of the service organization, user entities of the service organization's system as of the specified date, and the auditors who audit and report on such user entities' financial statements or internal control over financial reporting.</li></ul>	

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>ii. state that the report is not intended to be, and should not be, used by anyone other than the specified parties.<sup>28 46</sup></p> <p><del>o#.</del> The manual or printed signature of the service auditor's firm.</p> <p><del>p#.</del> The city and state where the service auditor practices.</p> <p><del>q#.</del> The date of the report. (The report should be dated no earlier than the date on which the service auditor has obtained sufficient appropriate evidence on which to base the service auditor's opinion, including evidence that</p> <ul style="list-style-type: none"> <li>i. management's description of the service organization system has been prepared,</li> <li>ii. management has provided a written assertion, and</li> <li>iii. the attestation documentation has been reviewed.)</li> </ul>	
<p><b>Modified Opinions</b></p> <p><del>.43 42</del> The service auditor's opinion should be modified, and the service auditor's report should contain a clear description of all the reasons for the modification, if the service auditor concludes that, based on the criteria in management's assertion (Ref. par. .A73)</p> <ul style="list-style-type: none"> <li>a. management's description of the service organization's system is not fairly presented, in all material respects;</li> <li>b. the controls are not suitably designed to provide reasonable assurance that the control objectives stated in management's description of the service organization's system would be achieved if the controls operated effectively, in all material respects;</li> <li>c. in the case of a type 2 report, the controls did not operate effectively throughout the specified period to achieve the related control objectives stated in management's description of the service organization's system, in all material respects; or</li> </ul>	<p><b>Modified Opinions (Ref: par. <del>.43,42</del>)</b></p> <p><b>.A73</b> The AICPA Guide <i>Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (SOC 1®)</i> contains examples of elements of modified service auditor's reports.</p>

<sup>2846</sup> Paragraph ~~.64 or .65 or .66~~ of section 205.

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

Introduction Objectives, Definitions, and Requirements	Application and Other Explanatory Material
<p>d. the service auditor is unable to obtain sufficient appropriate evidence.</p>	
<p><del>44</del> <del>43</del> If the service auditor plans to disclaim an opinion because of the inability to obtain sufficient appropriate evidence, and, based on the limited procedures performed, has concluded that, in all material respects, based on the criteria in management's assertion</p> <ul style="list-style-type: none"> <li>a. certain aspects of management's description of the service organization's system are not fairly presented,</li> <li>b. certain controls were not suitably designed to provide reasonable assurance that the control objectives stated in management's description of the service organization's system would be achieved if the controls operated effectively, or</li> <li>c. in the case of a type 2 report, certain controls did not operate effectively throughout the specified period to achieve the related control objectives stated in management's description of the service organization's system, then the service auditor should identify these findings in the service auditor's report.</li> </ul>	
<p><del>45</del> <del>44</del> If the service auditor plans to disclaim an opinion, the service auditor <i>should not</i> identify the procedures that were performed nor include statements describing the characteristics of a service auditor's engagement in the service auditor's report—to do so might overshadow the disclaimer.</p>	
<p><b>Other Communication Responsibilities</b> <del>46</del> <del>45</del> In addition to the communication responsibilities in section 205, if the service auditor becomes aware of the matters identified in paragraph <del>34</del> <del>35</del>, the service auditor should determine whether this information has been communicated appropriately to affected user entities.<sup>29†7</sup> If the</p>	<p><b>Other Communication Responsibilities (Ref: par. <del>46</del> <del>45</del>)</b> <b>.A74</b> Actions that a service auditor may take when the service auditor becomes aware of noncompliance with laws or regulations, fraud, or uncorrected misstatements at the service organization (after giving additional consideration to instances in which the</p>

<sup>29</sup> ~~†7~~ Paragraphs ~~81–82~~ ~~85–86~~ of section 205

**AT-C Section 320, Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (Marked from Extant)**

<b>Introduction Objectives, Definitions, and Requirements</b>	<b>Application and Other Explanatory Material</b>
<p>information has not been so communicated, and management of the service organization refuses to do so, the service auditor should take appropriate action. (Ref: par. .A74)</p>	<p>service organization has not appropriately communicated this information to affected user entities, and the service organization refuses to do so) include the following:</p> <ul style="list-style-type: none"><li>• Obtaining legal advice about the consequences of different courses of action</li><li>• Communicating with those charged with governance of the service organization</li><li>• Disclaiming an opinion, modifying the service auditor's opinion, or adding an explanatory paragraph</li><li>• Communicating with third parties, for example, a regulator, when required to do so</li><li>• Withdrawing from the engagement</li><li>• Considering the nature of the user entities and how the services provided by the service organization are likely to affect them, for example, the predominant types of user entities, and whether the user entities are regulated by government agencies</li><li>• Reading contracts with user entities to gain an understanding of the service organization's contractual obligations</li><li>• Observing procedures performed by service organization personnel</li><li>• Reviewing the service organization's policy and procedure manuals and other documentation of the system, for example, flowcharts and narratives</li><li>• Performing walkthroughs of transactions through the service organization's system</li></ul>

.A75

## Exhibit A—Illustrative Service Auditor’s Reports

The following illustrative service auditor’s reports contain text in *boldface italics* that would be added to the report if the situation described in the text is applicable. These illustrative reports are for guidance only and are not intended to be exhaustive or applicable to all situations. The inclusion of headings in the report may be useful but is not required by this section or section 205.<sup>1</sup> The AICPA Guide *Reporting on Controls at a Service Organization Relevant to User Entities’ Internal Control Over Financial Reporting (SOC 1®)* includes additional illustrative reports, including reports with modified opinions.

### Example 1: Type 2 Service Auditor’s Report

#### **Independent Service Auditor’s Report<sup>2</sup> on XYZ Service Organization’s Description of Its [type or name of] System and the Suitability of the Design and Operating Effectiveness of Controls**

To: XYZ Service Organization

##### *Scope*

We have examined XYZ Service Organization’s description of its [type or name of] system entitled “XYZ Service Organization’s Description of Its [type or name of] System” for processing user entities’ transactions [or identification of the function performed by the system] throughout the period [date] to [date] (description) and the suitability of the design and operating effectiveness of the controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in “XYZ Service Organization’s Assertion” (assertion). The controls and control objectives included in the description are those that management of XYZ Service Organization believes are likely to be relevant to user entities’ internal control over financial reporting, and the description does not include those aspects of the [type or name of] system that are not likely to be relevant to user entities’ internal control over financial reporting.

*[A statement such as the following is added to the service auditor’s report when information that is not covered by the report is included in the description of the service organization’s system.]*

***The information included in [section number where the other information is presented], “Other Information Provided by XYZ Service Organization,” is presented by management of XYZ Service Organization to provide additional information and is not a part of XYZ Service Organization’s description of its [name or type of] system made available to user entities during the period [date] to [date]. Information about XYZ Service Organization’s [describe the nature of the information, for example, business continuity planning, privacy practices, and so on] has not been subjected to the procedures applied in the examination of the description of the [name or type of] system and of the suitability of the design and operating***

<sup>1</sup> Paragraph ~~A80~~.A76 of section 205.

<sup>2</sup> May also be “Report of Independent Service Auditors.”

***effectiveness of controls to achieve the related control objectives stated in the description of the [name or type of] system.***

*[A statement such as the following is added to the service auditor's report when the service organization uses a subservice organization, the carve-out method is used to present the subservice organization, and complementary subservice organization controls are required to meet the control objectives.]*

***XYZ Service Organization uses a subservice organization to [identify the function or service provided by the subservice organization]. The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization. The description also indicates that certain control objectives specified by XYZ Service Organization can be achieved only if complementary subservice organization controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with the related controls at XYZ Service Organization. Our examination did not extend to controls of the subservice organization, and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.***

*[A statement such as the following is added to the service auditor's report when complementary user entity controls are required to meet the control objectives.]*

***The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.***

#### *Service Organization's Responsibilities*

In [section number where the assertion is presented], XYZ Service Organization has provided an assertion about the fairness of the presentation of the description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description. XYZ Service Organization is responsible for preparing the description and assertion, including the completeness, accuracy, and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

#### *Service Auditor's Responsibilities*

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management’s assertion, the description is fairly presented and the controls were suitably designed and operating effectively to achieve the related control objectives stated in the description throughout the period [date] to [date]. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization’s system and the suitability of the design and operating effectiveness of controls involves

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on the criteria in management’s assertion.
- assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description.
- testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved.
- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

*Inherent Limitations*

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities’ financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions [*or identification of the function performed by the system*]. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

*Description of Tests of Controls*

The specific controls tested and the nature, timing, and results of those tests are listed in [*section number where the description of tests of controls is presented*].

We are independent of XYZ Service Organization and have fulfilled our other ethical responsibilities in accordance with the relevant ethical requirements relating to our examination.

*Opinion*

In our opinion, in all material respects, based on the criteria described in XYZ Service Organization’s assertion

- a. the description fairly presents the [*type or name of*] system that was designed and implemented throughout the period [*date*] to [*date*].
- b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period [*date*] to [*date*] **and subservice organizations and user entities applied the complementary controls assumed in the design of XYZ Service Organization’s controls throughout the period [*date*] to [*date*].**
- c. the controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period [*date*] to [*date*] **if complementary subservice organization and user entity controls assumed in the design of XYZ Service Organization’s controls operated effectively throughout the period [*date*] to [*date*].**

*Restricted Use*

This report, including the description of tests of controls and results thereof in [*section number where the description of tests of controls is presented*], is intended solely for the information and use of management of XYZ Service Organization, user entities of XYZ Service Organization’s [*type or name of*] system during some or all of the period [*date*] to [*date*], and their auditors who audit and report on such user entities’ financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities’ financial statements. This report is not intended to be, and should not be, used by anyone other than the specified parties.

[*Service auditor’s signature*]

[*Service auditor’s city and state*]

[*Date of the service auditor’s report*]

**Example 2: Type 1 Service Auditor’s Report**

**Independent Service Auditor’s Report<sup>3</sup> on XYZ Service Organization’s Description of Its [*type or name of*] System and the Suitability of the Design of Controls**

To: XYZ Service Organization

We have examined XYZ Service Organization’s description of its [*type or name of*] system entitled, “XYZ Service Organization’s Description of Its [*type or name of*] System,” for processing user entities’ transactions [*or identification of the function performed by the system*] as of [*date*] (description) and the suitability of the design of the controls included in the description to achieve the related control objectives stated in the description, based on the criteria identified in “XYZ Service Organization’s Assertion” (assertion). The controls and control objectives included in the description are those that management of XYZ Service Organization believes are likely to be relevant to user entities’ internal control over financial reporting, and the

---

<sup>3</sup> May also be “Report of Independent Service Auditors.”

description does not include those aspects of the [*type or name of*] system that are not likely to be relevant to user entities' internal control over financial reporting.

*[A statement such as the following is added to the service auditor's report when information that is not covered by the report is included in the description of the service organization's system.]*

***The information included in [section number where the other information is presented], "Other Information Provided by XYZ Service Organization," is presented by management of XYZ Service Organization to provide additional information and is not a part of XYZ Service Organization's description of its [name or type of] system made available to user entities as of [date]. Information about XYZ Service Organization's [describe the nature of the information, for example, business continuity planning, privacy practices, and so on] has not been subjected to the procedures applied in the examination of the description of the [name or type of] system and of the suitability of the design of controls to achieve the related control objectives stated in the description of the [name or type of] system.***

*[A statement such as the following is added to the report when the service organization uses a subservice organization, the carve-out method is used to present the subservice organization, and complementary subservice organization controls are required to meet the control objectives.]*

***XYZ Service Organization uses a subservice organization to [identify the function or service provided by the subservice organization]. The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization. The description also indicates that certain control objectives specified by XYZ Service Organization can be achieved only if complementary subservice organization controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with the related controls at XYZ Service Organization. Our examination did not extend to controls of the subservice organization, and we have not evaluated the design or operating effectiveness of such complementary subservice organization controls.***

*[A statement such as the following is added to the service auditor's report when complementary user entity controls are required to meet the control objectives.]*

***The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with related controls at the service organization. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.***

#### *Service Organization's Responsibilities*

In [*section number where assertion is presented*], XYZ Service Organization has provided an assertion about the fairness of the presentation of the description and suitability of the design of the controls to achieve the related control objectives stated in the description. XYZ Service

Organization is responsible for preparing the description and its assertion, including the completeness, accuracy, and method of presentation of the description and assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the description.

*Service Auditor's Responsibilities*

Our responsibility is to express an opinion on the fairness of the presentation of the description and on the suitability of the design of the controls to achieve the related control objectives stated in the description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in management's assertion, the description is fairly presented and the controls were suitably designed to achieve the related control objectives stated in the description as of [date]. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design of controls involves

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion.
- assessing the risks that the description is not fairly presented and that the controls were not suitably designed to achieve the related control objectives stated in the description.
- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion.

*Inherent Limitations*

The description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the system that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions [*or identification of the function performed by the system*]. Also, the projection to the future of any evaluation of the fairness of the presentation of the description, or conclusions about the suitability of the design of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become ineffective.

We are independent of XYZ Service Organization, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our examination.

*Other Matter*

We did not perform any procedures regarding the operating effectiveness of controls stated in the description and, accordingly, do not express an opinion thereon.

*Opinion*

In our opinion, in all material respects, based on the criteria described in XYZ Service Organization's assertion

- a. the description fairly presents the [*type or name of*] system that was designed and implemented as of [*date*].
- b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively as of [*date*] ***and subservice organizations and user entities applied the complementary controls assumed in the design of XYZ Service Organization's controls as of [date].***

*Restricted Use*

This report is intended solely for the information and use of management of XYZ Service Organization, user entities of XYZ Service Organization's [*type or name of*] system as of [*date*], and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatements of user entities' financial statements. This report is not intended to be, and should not be, used by anyone other than the specified parties.

[*Service auditor's signature*]

[*Service auditor's city and state*]

[*Date of the service auditor's report*]

**.A76**

**Exhibit B—Illustrative Assertions by Management of a Service Organization**

Paragraph ~~.09~~.10b(vi) indicates that one of the preconditions for a service auditor to accept or continue an engagement is that management acknowledge and accept responsibility for providing a written assertion that accompanies management's description of the service organization's system. Paragraph .A18 indicates that the service organization has the option of attaching the assertion to the description of the service organization's system or including it in the description and clearly segregating the assertion from the description, for example, through the use of headings. Segregating the assertion from the description clarifies that the assertion is not part of the description.

The following illustrative management assertions contain text in boldface italics that would be added to management's assertion if the situation described in the text is applicable. These illustrative assertions are for guidance only and are not intended to be exhaustive or applicable to all situations.

**Example 1: Assertion by Management of a Service Organization for a Type 2 Report**

XYZ Service Organization’s Assertion

We have prepared the description of XYZ Service Organization’s [type or name of] system entitled, “XYZ Service Organization’s Description of Its [type or name of] System,” for processing user entities’ transactions [or identification of the function performed by the system] throughout the period [date] to [date] (description) for user entities of the system during some or all of the period [date] to [date], and their auditors who audit and report on such user entities’ financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, **including information about controls implemented by subservice organizations and user entities of the system themselves**, when assessing the risks of material misstatement of user entities’ financial statements. [A statement such as the following is added to the assertion when the service organization uses a subservice organization, the carve-out method is used to present the subservice organization, and complementary subservice organization controls are required to meet the control objectives.]

**XYZ Service Organization uses a subservice organization to [identify the function or service provided by the subservice organization]. The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization. The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organization controls assumed in the design of our controls are suitably designed and operating effectively, along with the related controls. The description does not extend to controls of the subservice organization.**

[A statement such as the following is added to the service auditor’s report when complementary user entity controls are required to meet the control objectives.]

**The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of XYZ Service Organization’s controls are suitably designed and operating effectively, along with related controls at the service organization. The description does not extend to controls of the user entities.**

We confirm, to the best of our knowledge and belief, that

- a. the description fairly presents the [type or name of] system made available to user entities of the system during some or all of the period [date] to [date] for processing their transactions [or identification of the function performed by the system] as it relates to controls that are likely to be relevant to user entities’ internal control over financial reporting. The criteria we used in making this assertion were that the description
  - i. presents how the system made available to user entities of the system was designed and implemented to process relevant user entity transactions, including, if applicable,
    - (1) the types of services provided, including, as appropriate, the classes of transactions processed.
    - (2) the procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and

- transferred to the reports and other information prepared for user entities of the system.
- (3) the information used in the performance of the procedures including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.
  - (4) how the system captures and addresses significant events and conditions other than transactions.
  - (5) the process used to prepare reports and other information for user entities.
  - (6) services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them.
  - (7) the specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls.
  - (8) other aspects of our control environment, risk assessment process, information and communications (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.
- ii. includes relevant details of changes to the service organization's system during the period covered by the description.
  - iii. does not omit or distort information relevant to the service organization's system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the [*type or name of*] system that each individual user entity of the system and its auditor may consider important in its own particular environment.
- b. the controls related to the control objectives stated in the description were suitably designed and operating effectively throughout the period [*date*] to [*date*] to achieve those control objectives ***if subservice organizations and user entities applied the complementary controls assumed in the design of XYZ Service Organization's controls throughout the period [date] to [date].*** The criteria we used in making this assertion were that
- i. the risks that threaten the achievement of the control objectives stated in the description have been identified by management of the service organization.
  - ii. the controls identified in the description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.
  - iii. the controls were consistently applied as designed, including whether manual controls were applied by individuals who have the appropriate competence and authority.

#### XYZ Service Organization's Assertion

We have prepared the description of XYZ Service Organization's [*type or name of*] system entitled, "XYZ Service Organization's Description of Its [*type or name of*] System," for

processing user entities' transactions [*or identification of the function performed by the system*] as of [*date*] (description) for user entities of the system as of [*date*], and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls ***implemented by subservice organizations and user entities themselves***, when obtaining an understanding of user entities' information and communication systems relevant to financial reporting.

[*A statement such as the following is added to the assertion when the service organization uses a subservice organization, the carve-out method is used to present the subservice organization, and complementary subservice organization controls are required to meet the control objectives.*]

***XYZ Service Organization uses a subservice organization to [identify the function or service provided by the subservice organization]. The description includes only the control objectives and related controls of XYZ Service Organization and excludes the control objectives and related controls of the subservice organization(s). The description also indicates that certain control objectives specified in the description can be achieved only if complementary subservice organization controls assumed in the design of our controls are suitably designed and operating effectively, along with the related controls. The description does not extend to controls of the subservice organization.***

[*A statement such as the following is added to the service auditor's report when complementary user entity controls are required to meet the control objectives.*]

***The description indicates that certain control objectives specified in the description can be achieved only if complementary user entity controls assumed in the design of XYZ Service Organization's controls are suitably designed and operating effectively, along with related controls at the service organization. The description does not extend to controls of the user entities.***

We confirm, to the best of our knowledge and belief, that

- a. the description fairly presents the [*type or name of*] system made available to user entities of the system as of [*date*] for processing their transactions [*or identification of the function performed by the system*] as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the description
  - i. presents how the system made available to user entities of the system was designed and implemented to process relevant transactions, including, if applicable
    - (1) the types of services provided, including, as appropriate, the classes of transactions processed.
    - (2) the procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the system.

- (3) the information used in the performance of the procedures including, if applicable, related accounting records, whether electronic or manual, and supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports and other information prepared for user entities.
  - (4) how the system captures and addresses significant events and conditions other than transactions.
  - (5) the process used to prepare reports and other information for user entities.
  - (6) services performed by a subservice organization, if any, including whether the carve-out method or the inclusive method has been used in relation to them.
  - (7) the specified control objectives and controls designed to achieve those objectives, including, as applicable, complementary user entity controls and complementary subservice organization controls assumed in the design of the service organization's controls.
  - (8) other aspects of our control environment, risk assessment process, information, and communication systems (including the related business processes), control activities, and monitoring activities that are relevant to the services provided.
- ii. does not omit or distort information relevant to the service organization's system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the [*type or name of*] system that each individual user entity of the system and its auditor may consider important in its own particular environment.
- b. the controls related to the control objectives stated in the description were suitably designed as of [*date*] to achieve those control objectives ***if subservice organizations and user entities applied the complementary controls assumed in the design of XYZ Service Organization's controls as of [date]***. The criteria we used in making this assertion were that
- i. the risks that threaten the achievement of the control objectives stated in the description have been identified by management of the service organization.
  - ii. the controls identified in the description would, if operating effectively, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

**Exhibit B**

**Mapping of Requirements in International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information, to Related Paragraphs in the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification**

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p><b>Conduct of an Assurance Engagement in Accordance with ISAEs</b></p>		
<p><i>Complying with Standards that are Relevant to the Engagement</i></p>		
<p>14. The practitioner shall comply with this ISAE and any subject matter-specific ISAEs relevant to the engagement.</p>	<p>105.12 When performing an attestation engagement, the practitioner should comply with the following:</p> <ul style="list-style-type: none"> <li>• This section</li> <li>• AT-C section 205, <i>Examination Engagements</i>, AT-C section 210, <i>Limited Assurance Engagements</i>, or AT-C section 215, <i>Agreed-Upon Procedures Engagements</i>, as applicable</li> <li>• Any subject matter AT-C section relevant to</li> </ul>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
	the engagement when the AT-C section is in effect and the circumstances addressed by the AT-C section exist	
15. The practitioner shall not represent compliance with this or any other ISAE unless the practitioner has complied with the requirements of this ISAE and any other ISAE relevant to the engagement. (Ref: Para. A21–A22, A170)	105.13 The practitioner should not represent compliance with this or any other AT-C section unless the practitioner has complied with the requirements of this section and all other AT-C sections relevant to the engagement.	
<i>Text of an ISAE</i>	<i>Text of an AT-C Section</i>	
16. The practitioner shall have an understanding of the entire text of an ISAE, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: Para. A23–A28)	105.15. 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. .A22–.A27)	
<i>Complying with Relevant Requirements</i>		
17. Subject to the following paragraph, the practitioner shall comply with each requirement of this ISAE and of any relevant subject matter-specific ISAE unless, in the circumstances of	105.16. Subject to paragraph .20, 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	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
the engagement, the requirement is not relevant because it is conditional and the condition does not exist. Requirements that apply to only limited assurance or reasonable assurance engagements have been presented in a columnar format with the letter “L” (limited assurance) or “R” (reasonable assurance) after the paragraph number. (Ref: Para. A29)	AT-C section, unless, in the circumstances of the engagement, either of the following applies: 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.	
18. In exceptional circumstances, the practitioner may judge it necessary to depart from a relevant requirement in an ISAE. In such circumstances, the practitioner shall perform alternative procedures to achieve the aim of that requirement. The need for the practitioner to depart from a relevant requirement is expected to arise only where 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 aim of the requirement.	105.20 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)	
<i>Failure to Achieve an Objective</i>		

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
19. If an objective in this ISAE or a relevant subject matter-specific ISAE cannot be achieved, the practitioner shall evaluate whether this requires the practitioner to modify the practitioner’s conclusion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective in a relevant ISAE represents a significant matter requiring documentation in accordance with paragraph 79 of this ISAE.	Not included. However, one of the objectives in par. .03 of AT-C section 205 is to obtain reasonable assurance about whether the subject matter as measured or evaluated against the criteria is free from material misstatement. Par. .47 of AT-C section 205 states, in part, “If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists and the practitioner should express a qualified opinion, disclaim an opinion, or withdraw from the engagement, when withdrawal is possible under applicable law or regulation....” This requirement would get the practitioner to the same place.	Not included. However, one of the objectives in par. .03 of AT-C section 210 is to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria; par. .59 of AT-C section 210 states, “If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists. When a scope limitation exists, the practitioner should withdraw from the engagement, when withdrawal is possible under applicable laws and regulations.” This requirement would get the practitioner to the same place.
<b>Ethical Requirements</b>		
20. The practitioner shall comply with Parts A and B of the IESBA Code related to assurance engagements, or other professional requirements, or requirements imposed by law	105.05 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	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
or regulation, that are at least as demanding. (Ref: Para. A30–A34, A60)	standards promulgated by bodies designated by the Council of the AICPA.	
<b>Acceptance and Continuance</b>		
21. The engagement partner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and assurance engagements have been followed by the firm, and shall determine that conclusions reached in this regard are appropriate.	105.23 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.	
22. The practitioner shall accept or continue an assurance engagement only when: (Ref: Para. A30–A34) (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	105.27 The practitioner should accept an attestation engagement only when the following apply:  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 .31).	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>engagement collectively have the appropriate competence and capabilities (see also paragraph 32); and</p> <p>(c) The basis upon which the engagement is to be performed has been agreed, through:</p> <p>(i) Establishing that the preconditions for an assurance engagement are present (see also paragraphs 24–26); and</p> <p>(ii) Confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement, including the practitioner’s reporting responsibilities.</p>	<p>c. The practitioner has determined that the engagement to be performed meets all the preconditions for an attestation engagement (see also paragraphs .24–.25).</p> <p>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>	
<p>23. If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the engagement partner shall communicate that information promptly to</p>	<p>Not included.</p>	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>the firm, so that the firm and the engagement partner can take the necessary action.</p>		
<p><i>Preconditions for the Assurance Engagement</i></p>		
<p>24. In order to establish whether the preconditions for an assurance engagement are present, the practitioner shall, on the basis of a preliminary knowledge of the engagement circumstances and discussion with the appropriate party(ies), determine whether: (Ref: Para. A35–A36)</p> <p style="padding-left: 40px;">(a) The roles and responsibilities of the appropriate parties are suitable in the circumstances; and (Ref: Para. A37–A39)</p> <p style="padding-left: 40px;">(b) The engagement exhibits all of the following characteristics:</p>	<p>105.25 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> <p style="padding-left: 40px;">a. Whether the roles and responsibilities of the appropriate parties are suitable in the circumstances; (Ref: par. .A37–.A38)</p> <p style="padding-left: 40px;">b. Whether the responsible party is a party other than the practitioner and takes responsibility for the subject matter in accordance with (or based on) the criteria . (Ref: par. .A38–.A39)</p> <p style="padding-left: 40px;">c. Whether the engagement exhibits all of the following characteristics:</p>	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>(i) The underlying subject matter is appropriate; (Ref: Para. A40–A44)</p> <p>(ii) The criteria that the practitioner expects to be applied in the preparation of the subject matter information are suitable for the engagement circumstances, including that they exhibit the following characteristics: (Ref: Para. A45–A50)</p> <ol style="list-style-type: none"> <li>a. Relevance.</li> <li>b. Completeness.</li> <li>c. Reliability.</li> <li>d. Neutrality.</li> <li>e. Understandability.</li> </ol>	<p>i. The subject matter is appropriate. (Ref: par. .A40–.A45)</p> <p>ii. The criteria to be applied in the preparation and evaluation of the subject matter are suitable and will be available to the intended users. (Ref: par. .A46–.A56)</p> <p>Included as application guidance.</p> <p>105.A46 Suitable criteria exhibit all of the following characteristics:</p> <ul style="list-style-type: none"> <li>• <i>Relevance</i>. Criteria are relevant to the subject matter.</li> <li>• <i>Objectivity</i>. Criteria are free from bias.</li> <li>• <i>Measurability</i>. Criteria permit reasonably consistent measurements, qualitative or quantitative, of subject matter.</li> <li>• <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</li> </ul>	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>(iii) The criteria that the practitioner expects to be applied in the preparation of the subject matter information will be available to the intended users; (Ref: Para. A51–A52)</p> <p>(iv) The practitioner expects to be able to obtain the evidence needed to support the practitioner’s conclusion; (Ref: Para. A53–A55)</p>	<p>subject matter.</p> <p>105.25cii 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. .A46–.A56)</p> <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. .A55–.A56)</p> <p>(1) access to all information of which the appropriate party is aware that is relevant to the measurement, evaluation, or disclosure of the subject matter;</p> <p>(2) access to additional information that the practitioner may request from the appropriate party for the purpose of the engagement; and</p>	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>(v) The practitioner’s conclusion, in the form appropriate to either a reasonable assurance engagement or a limited assurance engagement, is to be contained in a written report; and</p> <p>(vi) A rational purpose, including, in the case of a limited assurance engagement, that the practitioner expects to be</p>	<p>(3) unrestricted access to persons within the appropriate party from whom the practitioner determines it necessary to obtain evidence.</p> <p>iv. The practitioner’s opinion, conclusion, or findings, in the form appropriate to the engagement, are to be contained in a written practitioner’s report.</p> <p>Not included.</p>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
able to obtain a meaningful level of assurance. (Ref: Para. A56)		
<p>25. If the preconditions for an assurance engagement are not present, the practitioner shall discuss the matter with the engaging party.</p> <p>If changes cannot be made to meet the preconditions, the practitioner shall not accept the engagement as an assurance engagement unless required by law or regulation to do so. However, an engagement conducted under such circumstances does not comply with ISAEs. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with this ISAE or any other ISAE(s).</p>	<p>105.26 If the preconditions in paragraphs .24–.25 are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue.</p> <p>Not included.</p> <p>Related requirement</p> <p>105.26 If the preconditions in paragraphs .24–.25 are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue.</p>	
<i>Limitation on Scope Prior to Acceptance of the Engagement</i>		
26. If the engaging party imposes a limitation	Covered by par. .25ciii of AT-C section 105, which	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>on the scope of the practitioner’s work in the terms of a proposed assurance engagement such that the practitioner believes the limitation will result in the practitioner disclaiming a conclusion on the subject matter information, the practitioner shall not accept such an engagement as an assurance engagement, unless required by law or regulation to do so. (Ref: Para. A155(c))</p>	<p>states that one of the preconditions for accepting an attestation engagement is that</p> <p style="margin-left: 40px;">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. A57–.A58)</p> <ul style="list-style-type: none"> <li>(1) access to all information of which the appropriate party is aware that is relevant to the measurement, evaluation, or disclosure of the subject matter;</li> <li>(2) access to additional information that the practitioner may request from the appropriate party for the purpose of the engagement; and</li> <li>(3) unrestricted access to persons within the appropriate party from whom the practitioner determines it necessary to obtain evidence.</li> </ul>	
<p><i>Agreeing on the Terms of the Engagement</i></p>		

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
27. The practitioner shall agree the terms of the engagement with the engaging party. The agreed terms of the engagement shall be specified in sufficient detail in an engagement letter or other suitable form of written agreement, written confirmation, or in law or regulation. (Ref: Para. A57– A58)	205.07 The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A2)	210.08 The practitioner should agree upon the terms of the engagement with the engaging party. The agreed-upon terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement. (Ref: par. .A2)
28. On recurring engagements, the practitioner shall assess whether circumstances require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of the engagement.	205.09 Although an engagement may recur, each engagement is considered a separate engagement. The practitioner should assess whether circumstances require revision to the terms of a preceding engagement. If the practitioner concludes that the terms of the preceding engagement need not be revised for the current engagement, the practitioner should remind the engaging party of the terms of the current engagement, and the reminder should be documented.	210.10 Although an engagement may recur, each engagement is considered a separate engagement. The practitioner should assess whether circumstances require revision to the terms of a preceding engagement. If the practitioner concludes that the terms of the preceding engagement need not be revised for the current engagement, the practitioner should remind the engaging party of the terms of the current engagement, and the reminder should be documented.
<i>Acceptance of a Change in the Terms of the Engagement</i>		
29. The practitioner shall not agree to a change	105.29. The practitioner should not agree to a	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>in the terms of the engagement where there is no reasonable justification for doing so. If such a change is made, the practitioner shall not disregard evidence that was obtained prior to the change. (Ref: Para. A59)</p>	<p>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. .A59–.A60)</p>	
<p><i>Assurance Report Prescribed by Law or Regulation</i></p> <p>30. In some cases, law or regulation of the relevant jurisdiction prescribe the layout or wording of the assurance report. In these circumstances, the practitioner shall evaluate:</p> <ul style="list-style-type: none"> <li>(a) Whether intended users might misunderstand the assurance conclusion; and</li> <li>(b) If so, whether additional explanation in the assurance report can mitigate possible misunderstanding.</li> </ul> <p>If the practitioner concludes that additional explanation in the assurance report cannot mitigate possible misunderstanding, the</p>	<p>105.18 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)</p>	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>practitioner shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with ISAEs. Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with this ISAE or any other ISAE(s). (see also paragraph 71).</p>		
<p><i>Characteristics of the Engagement Partner</i></p>		
<p>31. The engagement partner shall:</p> <p>(a) Be a member of a firm that applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1; (Ref: Para. A60–A66)</p> <p>(b) Have competence in assurance skills and techniques developed through extensive training and practical application; and (Ref: Para. A60)</p> <p>(c) Have sufficient competence in the</p>	<p>Not included.</p> <p>Items (b) and (c) are not specifically included. However, they would be covered by the AICPA Code of Professional Conduct. Also, par. .27b of AT-C section 105 states, “The practitioner should accept an attestation engagement only when the</p>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
underlying subject matter and its measurement or evaluation to accept responsibility for the assurance conclusion. (Ref: Para. A67–A68)	<p>following apply:</p> <p style="padding-left: 20px;"><i>b.</i> The practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see also paragraph .31)</p> <p>Paragraph .32 of AT-C section 105 states, “The engagement partner should be satisfied that the following apply:</p> <p style="padding-left: 20px;"><i>a.</i> 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. .A63–.A64)</p> <p style="padding-left: 40px;"><i>i.</i> perform the engagement in accordance with professional standards and applicable legal and regulatory requirements, and</p> <p style="padding-left: 40px;"><i>ii.</i> enable the issuance of a practitioner's report that is appropriate in the circumstances.</p> <p>(This would also include the engagement partner.)</p>	
<i>Assignment of the Team</i>		
32. The engagement partner shall: (Ref: Para.	105.32 The engagement partner should be satisfied	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>A69)</p> <p>(a) Be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities to: (Ref: Para. A70–A71)</p> <p style="padding-left: 40px;">(i) Perform the engagement in accordance with relevant standards and applicable legal and regulatory requirements; and</p> <p style="padding-left: 40px;">(ii) Enable an assurance report that is appropriate in the circumstances to be issued.</p> <p>(b) Be satisfied that the practitioner will be able to be involved in the work of:</p>	<p>that the following apply:</p> <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. .A63–.A64)</p> <p style="padding-left: 40px;">i. perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and</p> <p style="padding-left: 40px;">ii. enable the issuance of a practitioner's report that is appropriate in the circumstances.</p> <p>b. To an extent that is sufficient to accept responsibility for the opinion, conclusion, or findings on the subject matter or assertion, the engagement team will be able to be involved in the work of</p>	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>(i) A practitioner’s expert where the work of that expert is to be used; and (Ref: Para. A70–A71)</p> <p>(ii) Another practitioner, not part of the engagement team, where the assurance work of that practitioner is to be used, (Ref: Para. A72–A73)</p> <p>to an extent that is sufficient to accept responsibility for the assurance conclusion on the subject matter information.</p>	<p>i. a practitioner's external specialist when the work of that specialist is to be used, and (Ref: par. .A65)</p> <p>ii. an other practitioner, when the work of that practitioner is to be used.</p>	
<p><i>Responsibilities of the Engagement Partner</i></p>		
<p>33. The engagement partner shall take responsibility for the overall quality on the engagement. This includes responsibility for:</p> <p>(a) Appropriate procedures being performed</p>	<p>105.33 The engagement partner should take responsibility for the overall quality on each attestation engagement. This includes responsibility for the following:</p> <p>a. Appropriate procedures being perform</p>	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>regarding the acceptance and continuance of client relationships and engagements;</p> <p>(b) The engagement being planned and performed (including appropriate direction and supervision) to comply with professional standards and applicable legal and regulatory requirements;</p> <p>(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 assurance report; (Ref: Para. A74)</p> <p>(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 relevant ISAEs and relevant legal and regulatory requirements; and</p>	<p>regarding the acceptance and continuance of client relationships and engagements</p> <p>b. The engagement being planned and performed (including appropriate direction and supervision) to comply with professional standards and applicable legal and regulatory requirements</p> <p>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)</p> <p>d. Appropriate engagement documentation being maintained to provide evidence of achievement of the practitioner’s objectives and that the engagement was performed in</p>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
(e) Appropriate consultation being undertaken by the engagement team on difficult or contentious matters.	accordance with the attestation standards and relevant legal and regulatory requirements  e. Appropriate consultation being undertaken by the engagement team on difficult or contentious matters	
34. Throughout the engagement, the engagement partner shall remain alert, through observation and making inquiries as necessary, for evidence of non-compliance 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, shall determine the appropriate action.	105.34 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 action.	
35. The engagement partner shall consider the results of the firm's monitoring process as	105.35 The engagement partner should consider the results of the firm's monitoring process as	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
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 assurance engagement.	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.	
<i>Engagement Quality Control Review</i>		
36. For those engagements, if any, for which a quality control review is required by law or regulation or for which the firm has determined that an engagement quality control review is required: (a) The engagement partner shall take responsibility for discussing significant matters arising during the engagement with the engagement quality control reviewer, and not date the assurance report until completion of that review; and  (b) The engagement quality control reviewer shall perform an objective evaluation of	105.44 For those engagements, if any, for which the firm has determined that an engagement quality control review is required, the following should be done: (Ref: par. .A69)  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	

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>the significant judgments made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve: (Ref: Para. A75)</p> <ul style="list-style-type: none"> <li>(i) Discussion of significant matters with the engagement partner;</li> <li>(ii) Review of the subject matter information and the proposed assurance report;</li> <li>(iii) Review of selected engagement documentation relating to the significant judgments the engagement team made and the conclusions it reached; and</li> <li>(iv) Evaluation of the conclusions reached in formulating the</li> </ul>	<p>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:</p> <ul style="list-style-type: none"> <li>i. Discussion of significant findings or issues with the engagement partner</li> <li>ii. Reading the written subject matter or assertion and the proposed report</li> <li>iii. Reading selected engagement documentation relating to the significant judgments the engagement team made and the related-decisions it reached</li> <li>iv. Evaluation of the conclusions reached in formulating the report and consideration of</li> </ul>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
assurance report and consideration of whether the proposed assurance report is appropriate.	whether the proposed report is appropriate	
<b>Professional Skepticism, Professional Judgment, and Assurance Skills and Techniques</b>		
37. The practitioner shall plan and perform an engagement with professional skepticism, recognizing that circumstances may exist that cause the subject matter information to be materiality misstated. (Ref: Para. A76–A80)	105.45 The practitioner should plan and perform an attestation engagement with professional skepticism. (Ref: par. .A70–.A72)	
38. The practitioner shall exercise professional judgment in planning and performing an assurance engagement, including determining the nature, timing and extent of procedures. (Ref: Para. A81– A85)	105.47 The practitioner should exercise professional judgment in planning and performing an attestation engagement. (Ref: par. .A73–.A78)	
39. The practitioner shall apply assurance skills and techniques as part of an iterative, systematic engagement process.	Not included.	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<b>Planning and Performing the Engagement</b>		
<i>Planning</i>		
40. The practitioner shall plan the engagement so that it will be performed in an effective manner, including setting the scope, timing and direction of the engagement, and determining the nature, timing and extent of planned procedures that are required to be carried out in order to achieve the objective of the practitioner. (Ref: Para. A86–A89)	205.10 The practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and guides the development of the engagement plan. The nature, timing, and extent of the practitioner’s procedures may be affected by the extent to which the responsible party has measured or evaluated the subject matter against the criteria. The practitioner should exercise professional judgement in selecting and applying procedures in order to accumulate sufficient appropriate evidence that provides a reasonable basis for the practitioner’s opinion. (Ref: par. .A11–.A14)	210.11 The practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and determine the nature, timing, and extent of the planned procedures that are required to be carried out in order to achieve the objectives of the engagement. The nature, timing, and extent of the practitioner’s procedures may be affected by the extent to which the responsible party has measured or evaluated the subject matter against the criteria. The practitioner should exercise professional judgment in selecting and applying procedures to accumulate sufficient appropriate evidence that provides a reasonable basis for the practitioner’s conclusion. (Ref: par. .A11–.A14.)

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>41. The practitioner shall determine whether the criteria are suitable for the engagement circumstances, including that they exhibit the characteristics identified in paragraph 24(b)(ii).</p>	<p>Par. .25cii of AT-C section 105 requires that the criteria be suitable in order for the practitioner to perform the engagement.</p>	
<p>42. If it is discovered after the engagement has been accepted that one or more preconditions for an assurance engagement is not present, the practitioner shall discuss the matter with the appropriate party(ies), and shall determine:</p> <ul style="list-style-type: none"> <li>(a) Whether the matter can be resolved to the practitioner’s satisfaction;</li> <li>(b) Whether it is appropriate to continue with the engagement; and</li> <li>(c) Whether and, if so, how to communicate the matter in the assurance report.</li> </ul>	<p>105.28 If it is discovered after the engagement has been accepted that one or more of the preconditions for an attestation engagement is not present, the practitioner should discuss the matter with the appropriate party and should determine the following:</p> <ul style="list-style-type: none"> <li>a. Whether the matter can be resolved</li> <li>b. Whether it is appropriate to continue with the engagement</li> <li>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</li> </ul>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
43. If it is discovered after the engagement has been accepted that some or all of the applicable criteria are unsuitable or some or all of the underlying subject matter is not appropriate for an assurance engagement, the practitioner shall consider withdrawing from the engagement, if withdrawal is possible under applicable law or regulation. If the practitioner continues with the engagement, the practitioner shall express a qualified or adverse conclusion, or disclaimer of conclusion, as appropriate in the circumstances. (Ref: Para. A90–A91)	Not specifically included. However, this would be covered by paragraph 105.25cii because suitable criteria are one of the preconditions for an attestation engagement.	
<i>Materiality</i>		
44. The practitioner shall consider materiality when: (Ref: Para. A92–A100)  (a) Planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures; and  (b) Evaluating whether the subject	In AT-C section 205, the “overall engagement strategy” is the equivalent of planning.  205.16 The practitioner should consider materiality when establishing the overall engagement strategy, determining the nature, timing, and extent of procedures, and evaluating whether the subject matter is free from material misstatement. (Ref: par. .A17–.A23)	In AT-C section 210, the “overall engagement strategy” is the equivalent of planning.  210.14 The practitioner should consider materiality when establishing the overall engagement strategy, determining the nature, timing, and extent of procedures, and evaluating whether the practitioner is

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
matter information is free from material misstatement.	<p>Related Requirement 205.17 The practitioner should reconsider materiality for the subject matter if the practitioner becomes aware of information during the engagement that would have caused the practitioner to have initially determined a different materiality.</p>	<p>aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated. (Ref: par. .A17-.A23)</p> <p>Related Requirement 210.15 The practitioner should reconsider materiality for the subject matter if the practitioner becomes aware of information during the engagement that would have caused the practitioner to have initially determined a different materiality.</p>
<i>Understanding the Underlying Subject Matter and Other Engagement Circumstances</i>		
45. The practitioner shall make inquiries of the appropriate party(ies) regarding: (a) Whether they have knowledge of any actual, suspected or alleged intentional misstatement or non-	205.32 The practitioner should do the following:  b. Make inquiries of appropriate party to determine whether the party has knowledge of any actual, suspected, or alleged fraud or	210.23 The practitioner should make inquiries of appropriate parties to determine whether they have knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>compliance with laws and regulations affecting the subject matter information; (Ref: Para. A101)</p> <p>(b) Whether the responsible party has an internal audit function and, if so, make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter information; and</p> <p>(c) Whether the responsible party has used any experts in the preparation of the subject matter information.</p>	<p>noncompliance with laws or regulations affecting the subject matter.</p> <p>205.15 The practitioner should make inquiries of the appropriate party regarding</p> <p><i>a.</i> whether the responsible party has an internal audit function. If the responsible party has an internal audit function, the practitioner should make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter; and</p> <p><i>b.</i> whether the responsible party has used any specialists in the preparation of the subject matter.</p>	<p>affecting the subject matter.</p> <p>Added par. .13 to AT-C section 210 to address items b and c of ISAE 3000:</p> <p>210.13 The practitioner should make inquiries of the appropriate party regarding</p> <p><i>a.</i> whether the responsible party has an internal audit function, If the responsible party has an internal audit function, the practitioner should make further inquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter</p> <p><i>b.</i> whether the responsible party has used any specialists in the preparation of the subject matter.</p>
46R. The practitioner shall obtain an	205.13 The practitioner should obtain an	Not applicable to limited assurance

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>understanding of the underlying subject matter and other engagement circumstances sufficient to:</p> <p>(a) Enable the practitioner to identify and assess the risks of material misstatement in the subject matter information; and</p> <p>(b) Thereby, provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner’s conclusion. (Ref: Para. A101–A103, A107)</p>	<p>understanding of the subject matter and other engagement circumstances sufficient to do the following: (Ref: par. .A15–.A16)</p> <p><i>a.</i> Enable the practitioner to identify and assess the risks of material misstatement in the subject matter</p> <p><i>b.</i> Provide a basis for designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner’s opinion</p>	<p>engagements.</p>
<p>46L. The practitioner shall obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to:</p> <p>(a) Enable the practitioner to identify areas where a material misstatement of the subject matter information is likely to</p>	<p>Not applicable to examination engagements.</p>	<p>210.12 The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to do the following:(Ref: par. .A15)</p> <p><i>a.</i> Enable the practitioner to identify areas where a material misstatement</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>arise; and (b) Thereby, provide a basis for designing and performing procedures to address the areas identified in paragraph 45L(a) and to obtain limited assurance to support the practitioner’s conclusion. (Ref: Para. A101–A104, A107)</p>		<p>of the subject matter is likely to arise (Ref: par. .A16)</p> <p><i>b.</i> Provide a basis for designing and performing procedures to address the areas identified in item (<i>a</i>) and to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria, or the assertion, in order for it to be fairly stated</p>
<p>47R. In obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 46R, the practitioner shall obtain an understanding of internal control over the preparation of the subject matter information relevant to the engagement. This includes evaluating the design of those controls relevant to the engagement and determining whether they have been implemented by</p>	<p>205.14 In obtaining an understanding of the subject matter in accordance with paragraph .13, the practitioner should obtain an understanding of internal control over the preparation of the subject matter relevant to the engagement. This includes evaluating the design of those controls relevant to the subject matter and determining whether they have been implemented by performing procedures in addition to inquiry of the personnel responsible for the subject matter.</p>	<p>Not applicable to limited assurance engagements.</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
performing procedures in addition to inquiry of the personnel responsible for the subject matter information. (Ref: Para. A105)		
47L. In obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph 46L, the practitioner shall consider the process used to prepare the subject matter information. (Ref: Para. A106)	Not applicable to examination engagements.	Not included.
48R. Based on the practitioner’s understanding (see paragraph 46R) the practitioner shall: (Ref: Para. A108–A110) (a) Identify and assess the risks of material misstatement in the subject matter information; and	205.18 The practitioner should identify and assess risks of material misstatement as the basis for designing and performing further procedures whose nature, timing, and extent (Ref: par. .A24–.A25)  a. are responsive to assessed risks of material misstatement and  b. allow the practitioner to obtain reasonable assurance about whether the subject matter is	Not applicable to limited assurance engagements.

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>(b) Design and perform procedures to respond to the assessed risks and to obtain reasonable assurance to support the practitioner’s conclusion.</p> <p>In addition to any other procedures on the subject matter information that are appropriate in the engagement circumstances, the practitioner’s procedures shall include obtaining sufficient appropriate evidence as to the operating effectiveness of relevant controls over the subject matter information when:</p> <p>(i) The practitioner’s assessment of the risks of material misstatement includes an expectation that controls are</p>	<p>in accordance with (or based on) the criteria, in all material respects.</p> <p>205.20 The practitioner should design and implement overall responses to address the assessed risks of material misstatement for the subject matter or assertion. (Ref: par. .A26–.A27)</p> <p>205.24 The practitioner should design and perform tests of controls to obtain sufficient appropriate evidence about the operating effectiveness of relevant controls if any of the following apply:</p> <p>a. The practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of</p>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
operating effectively, or  (ii) Procedures other than testing of controls cannot alone provide sufficient appropriate evidence.	other procedures.  <i>b</i> Procedures other than tests of controls cannot alone provide sufficient appropriate evidence.  <i>c</i> . The subject matter is internal control.	
48L. Based on the practitioner’s understanding (see paragraph 46L), the practitioner shall: (Ref: Para. A108–A112) (a) Identify areas where a material misstatement of the subject matter information is likely to arise; (b) Design and perform procedures to address the areas identified in paragraph 48L(a) and to obtain limited assurance to support the practitioner’s conclusion.	Not applicable to examination engagements.	210.17 Based on the practitioner’s understanding obtained pursuant to paragraph .12, the practitioner should do the following:  <i>a</i> . Identify areas in which a material misstatement of the subject matter is likely to arise and design and perform procedures, to address such areas to obtain limited assurance, to support the conclusion in the practitioner’s report. (Ref: par. .A24–.A29)

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
		<i>b.</i> If no such areas are identified, design and perform procedures to obtain limited assurance to support the conclusion in the practitioner’s report.
Revision of Risk Assessment in a Reasonable Assurance Engagement		
49R. The practitioner’s assessment of the risks of material misstatement in the subject matter information may change during the course of the engagement as additional evidence is obtained. In circumstances where the practitioner obtains evidence which is inconsistent with the evidence on which the practitioner originally based the assessment of the risks of material misstatement, the practitioner shall revise the assessment and modify the planned procedures accordingly. (Ref: Para. A112)	205.34 The practitioner’s assessment of the risks of material misstatement may change during the course of the engagement as additional evidence is obtained. In circumstances in which the practitioner obtains evidence from performing further procedures or if new information is obtained, either of which is inconsistent with the evidence on which the practitioner originally based the assessment, the practitioner should revise the assessment and modify the planned procedures accordingly. (Ref: par. .A32–.A34)	Not applicable to limited assurance engagements.
Determining Whether Additional Procedures Are Necessary in a Limited Assurance Engagement	Not applicable to examination engagements.	210.27 If the practitioner believes the subject matter may be materially misstated, the practitioner should perform additional

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>49L. If the practitioner becomes aware of a matter(s) that causes the practitioner to believe that the subject matter information may be materially misstated, the practitioner shall design and perform additional procedures to obtain further evidence until the practitioner is able to: (Ref: Para. A112– A117)</p> <ul style="list-style-type: none"> <li>(a) Conclude that the matter is not likely to cause the subject matter information to be materially misstated; or</li> <li>(b) Determine that the matter(s) causes the subject matter information to be materially misstated.</li> </ul>		<p>procedures sufficient to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or the assertion in order for it to be fairly stated.</p>
<p>50. When designing and performing procedures, the practitioner shall consider the relevance and reliability of the information to be used as evidence. If:</p> <ul style="list-style-type: none"> <li>(a) Evidence obtained from one source is inconsistent with that obtained from another; or</li> <li>(b) The practitioner has doubts about the</li> </ul>	<p>205.23 When designing and performing procedures, the practitioner should consider the relevance and reliability of the information to be used as evidence. If (a) evidence obtained from one source is inconsistent with that obtained from another, (b) the practitioner has doubts about the reliability of information to be used as evidence,</p>	<p>Not included in AT-C section 210.</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>reliability of information to be used as evidence,</p> <p>the practitioner shall determine what changes or additions to procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the engagement.</p>	<p>...then the practitioner should determine what modifications or additions to procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the engagement.</p> <p>205.34 The practitioner’s assessment of the risks of material misstatement may change during the course of the engagement as additional evidence is obtained. In circumstances in which the practitioner obtains evidence from performing further procedures or if new information is obtained, either of which is inconsistent with the evidence on which the practitioner originally based the assessment, the practitioner should revise the assessment and modify the planned procedures accordingly. (Ref: par. .A32–.A34)</p>	
51. The practitioner shall accumulate uncorrected misstatements identified during the	205.45 The practitioner should accumulate misstatements identified during the engagement	210.29 The practitioner should accumulate misstatements identified during the

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

1 <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	2 <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	3 <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
engagement other than those that are clearly trivial. (Ref: Para. A118–A119)	other than those that are clearly trivial. (Ref: par. .A49–.A50)	engagement other than those that are clearly trivial. (Ref: par. .A38–.A39)
<p><i>Work Performed by a Practitioner’s Expert</i> 52. When the work of a practitioner’s expert is to be used, the practitioner shall also: (Ref: Para. A120– A124)</p> <p>(a) Evaluate whether the practitioner’s expert has the necessary competence, capabilities and objectivity for the practitioner’s purposes. In the case of a practitioner’s external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert’s objectivity; (Ref: Para. A125–A128)</p> <p>(b) Obtain a sufficient understanding of the</p>	<p>205.36 When the practitioner expects to use the work of a practitioner’s specialist, the practitioner should do the following:</p> <p>a. Evaluate whether the practitioner’s specialist has the necessary competence, capabilities, and objectivity for the practitioner’s purposes. In the case of a practitioner’s external specialist, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the practitioner’s specialist. (Ref: par. .A37–.A40)</p>	<p>210.28 When the practitioner expects to use the work of a practitioner’s specialist or internal auditors, the practitioner should apply the requirements in AT-C section 205, <i>Examination Engagements</i>, and the related application guidance, as appropriate, for a limited assurance engagement.<sup>1</sup></p>

<sup>1</sup> Paragraphs .36–.44 of section 205, *Examination Engagements*.

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>field of expertise of the practitioner’s expert; (Ref: Para. A129–A130)</p> <p>(c) Agree with the practitioner’s expert on the nature, scope and objectives of that expert’s work; and (Ref: Para. A131–A132)</p> <p>(d) Evaluate the adequacy of the practitioner’s expert’s work for the practitioner’s purposes. (Ref: Para. A133–A134)</p>	<p>b. Obtain a sufficient understanding of the field of expertise of a practitioner’s specialist to enable the practitioner to (Ref: par. .A41)</p> <ul style="list-style-type: none"> <li>i. determine the nature, scope, and objectives of that specialist’s work for the practitioner’s purposes and</li> <li>ii. evaluate the adequacy of that work for the practitioner’s purposes.</li> </ul> <p>c. Agree with the practitioner’s specialist regarding (Ref: par. .A42)</p> <ul style="list-style-type: none"> <li>i. the nature, scope, and objectives of that practitioner’s specialist’s work.</li> </ul> <p>d. Evaluate the adequacy of the work of the practitioner’s specialist for the practitioner’s purposes, including</p> <ul style="list-style-type: none"> <li>i. the relevance and reasonableness of the findings and conclusions of the practitioner’s specialist and their consistency with other evidence.</li> </ul>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

1 <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	2 <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	3 <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
	<p>ii. if the work of the practitioner’s specialist involves the use of significant assumptions and methods,</p> <p>(1) obtaining an understanding of those assumptions and methods and</p> <p>(2) evaluating the relevance and reasonableness of those assumptions and methods in the circumstances, giving consideration to the rationale and support provided by the practitioner’s specialist, and in relation to the practitioner’s other findings and conclusions;</p> <p>iii. if the work of the practitioner’s specialist involves the use of source data that are significant to the work of the practitioner’s specialist, the relevance, completeness, and accuracy of that source data.</p>	
Work Performed by Another Practitioner, a Responsible Party’s or Measurer’s or Evaluator’s Expert, or an Internal Auditor (Ref: Para. A135)		

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
53. When the work of another practitioner is to be used, the practitioner shall evaluate whether that work is adequate for the practitioner’s purposes.	105.31 When the practitioner expects to use the work of an other practitioner, the practitioner should do the following: (Ref: par. .A61–.A62)  e. Evaluate whether the other practitioner’s work is adequate for the practitioner’s purposes.	
54. If information to be used as evidence has been prepared using the work of a responsible party’s or a measurer’s or evaluator’s expert, the practitioner shall, to the extent necessary having regard to the significance of that expert’s work for the practitioner’s purposes:  (a) Evaluate the competence, capabilities and objectivity of that expert;	205.36 When the practitioner expects to use the work of a practitioner’s specialist, the practitioner should do the following:  a. Evaluate whether the practitioner’s specialist has the necessary competence, capabilities, and objectivity for the practitioner’s purposes. In the case of a practitioner’s external specialist, the evaluation of objectivity should include inquiry regarding interests and relationships that may create a threat to the objectivity of the practitioner’s specialist.	See preceding.

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>(b) Obtain an understanding of the work of that expert; and</p> <p>(c) Evaluate the appropriateness of that expert's work as evidence.</p>	<p>(Ref: par. .A37–.A40)</p> <p><i>b.</i> Obtain a sufficient understanding of the field of expertise of a practitioner's specialist to enable the practitioner to (Ref: par. .A41)</p> <p style="padding-left: 40px;"><i>i.</i> determine the nature, scope, and objectives of that specialist's work for the practitioner's purposes and</p> <p style="padding-left: 40px;"><i>ii.</i> evaluate the adequacy of that work for the practitioner's purposes.</p> <p>Not included.</p>	
<p>55. If the practitioner plans to use the work of the internal audit function, the practitioner shall evaluate the following:</p>	<p>205.39 When the practitioner expects to use the work of the internal audit function in obtaining evidence or to use internal auditors to provide direct assistance, the practitioner should determine whether the work can be used for purposes of the examination by evaluating the following: (Ref: par. .A46–.A48)</p>	<p>See preceding.</p>

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>(a) The extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal auditors;</p> <p>(b) The level of competence of the internal audit function;</p> <p>(c) Whether the internal audit function applies a systematic and disciplined approach, including quality control; and</p> <p>(d) Whether the work of the internal audit function is adequate for the purposes of the engagement.</p>	<p><i>b.</i> The extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal audit function or, for internal auditors providing direct assistance, the existence of threats to the objectivity of those internal auditors and the related safeguards applied to reduce or eliminate those threats</p> <p><i>a.</i> The level of competence of the internal audit function or the individual internal auditors providing direct assistance</p> <p><i>c.</i> When using the work of the internal audit function, the application by the internal audit function of a systematic and disciplined approach, including quality control</p> <p>205.40 When using the work of the internal audit function, the practitioner should perform sufficient procedures on the body of work of the internal audit function as a whole that the practitioner plans</p>	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
	to use to determine its adequacy for the purpose of the examination engagement, including reperforming some of the body of work of the internal audit function that the practitioner intends to use in obtaining evidence.	
<p><i>Written Representations</i> 56. The practitioner shall request from the appropriate party(ies) a written representation:</p> <p>(a) That it has provided the practitioner with all information of which the appropriate party(ies) is aware that is relevant to the engagement. (Ref: Para. A54–A55 and A136–A138)</p> <p>(b) Confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter</p>	<p>205.50 The practitioner should request from the appropriate party written representations in the form of a letter addressed to the practitioner. The representations should do the following (Ref: par. .A61–.A66)</p> <p><i>b.</i> State that the appropriate party has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement.</p> <p><i>f.</i> State whether a party other than the practitioner has measured or evaluated the subject matter against the criteria and, if another party has measured or evaluated the</p>	<p>210.34 The practitioner should request from the appropriate party written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. .A48–.A52)</p> <p><i>b.</i> State that the appropriate party has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement.</p> <p><i>f.</i> State whether a party other than the practitioner has measured or evaluated the subject matter against the criteria and, if another party has measured or evaluated the subject matter, the results</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
information.	subject matter, the results of that measurement or evaluation. (Ref: par. .A65)	of that measurement or evaluation. (Ref: par. .A52)
57. If, in addition to required representations, the practitioner determines that it is necessary to obtain one or more written representations to support other evidence relevant to the subject matter information, the practitioner shall request such other written representations.	205.50 The practitioner should request from the appropriate party written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. .A61–.A66)  <i>d.</i> State that the appropriate party has disclosed to the practitioner  iii. other matters as the practitioner deems appropriate.	210.34 The practitioner should request from the appropriate party written representations in the form of a letter addressed to the practitioner. The representations should do the following: (Ref: par. .A48–.A52)  <i>d.</i> State that the appropriate party has disclosed to the practitioner  ii. other matters as the practitioner deems appropriate.
58. When written representations relate to matters that are material to the subject matter information, the practitioner shall:  (a) Evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written); and  (b) Consider whether those making the	205.52 When written representations are directly related to matters that are material to the subject matter, the practitioner should  <i>a.</i> evaluate their reasonableness and consistency with other evidence obtained, including other representations, and  <i>b.</i> consider whether those making the	210.36 When written representations are directly related to matters that are material to the subject matter, the practitioner should  <i>a.</i> evaluate their reasonableness and consistency with other limited

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
representations can be expected to be well-informed on the particular matters.	representations can be expected to be well informed on the particular matters.	assurance evidence obtained, including other representations, and  <i>b.</i> consider whether those making the representations can be expected to be well informed on the particular matters.
59. The date of the written representations shall be as near as practicable to, but not after, the date of the assurance report.	205.53 The date of the written representations should be as of the date of the practitioner’s report. The written representations should address the subject matter and periods covered by the practitioner’s opinion.	210.37 The date of the written representations should be as of the date of the practitioner's report. The written representations should address the subject matter and periods covered by the practitioner's conclusion.
Requested Written Representations Not Provided or Not Reliable		
60. If one or more of the requested written representations are not provided or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or that the written representations are otherwise not reliable, the	205.54 When one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the written representations are otherwise not reliable, the	210.38 When one or more of the requested written representations are not provided, or the practitioner concludes that there is sufficient doubt about the competence, integrity, ethical values, or diligence of those providing the written representations, or the practitioner concludes that the

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>practitioner shall: (Ref: Para. A139)</p> <ul style="list-style-type: none"> <li>(a) Discuss the matter with the appropriate party(ies);</li> <li>(b) Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations (oral or written) and evidence in general; and</li> <li>(c) Take appropriate actions, including determining the possible effect on the conclusion in the assurance report.</li> </ul>	<p>practitioner should do the following: (Ref: par. A69–A70)</p> <ul style="list-style-type: none"> <li>a. Discuss the matter with the appropriate party.</li> <li>b. Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general.</li> <li>c. If any of the matters are not resolved to the practitioner’s satisfaction, take appropriate action, including determining the possible effect on the opinion in the practitioner’s report.</li> </ul>	<p>written representations are otherwise not reliable, the practitioner should do the following: (Ref: par. A55-A57)</p> <ul style="list-style-type: none"> <li>a. Discuss the matter with the appropriate party,</li> <li>b. Reevaluate the integrity of those from whom the representations were requested or received and evaluate the effect that this may have on the reliability of representations and limited assurance evidence in general</li> <li>c. If any of the matters are not resolved to the practitioner's satisfaction, take appropriate action, including determining the possible effect on the conclusion in the practitioner’s report.</li> </ul>
<p><b>Subsequent Events</b> 61. When relevant to the engagement, the practitioner shall consider the effect on the subject matter information and on the assurance</p>	<p>205.48 The practitioner should inquire whether the responsible party and, if different, the engaging party, is aware of any events subsequent to the period (or point in time) covered by the</p>	<p>210.32 The practitioner should inquire whether the responsible party and, if different, the engaging party, is aware of any events subsequent to the period (or</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

1 <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	2 <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	3 <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>report of events up to the date of the assurance report, and shall respond appropriately to facts that become known to the practitioner after the date of the assurance report, that, had they been known to the practitioner at that date, may have caused the practitioner to amend the assurance report. The extent of consideration of subsequent events depends on the potential for such events to affect the subject matter information and to affect the appropriateness of the practitioner’s conclusion. However, the practitioner has no responsibility to perform any procedures regarding the subject matter information after the date of the assurance report. (Ref: Para. A140–A141)</p>	<p>examination engagement up to the date of the practitioner’s report that could have a significant effect on the subject matter or assertion and should apply other appropriate procedures to obtain evidence regarding such events. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter or in its assertion, the practitioner should take appropriate action. (Ref: par. .A56–.A58)</p> <p>205.49 The practitioner has no responsibility to perform any procedures regarding the subject matter or assertion after the date of the practitioner’s report. Nevertheless, the practitioner should respond appropriately to facts that become known to the practitioner after the date of the report that, had they been known to the practitioner</p>	<p>point in time) covered by the engagement up to the date of the practitioner's report that could have a significant effect on the subject matter or assertion. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and significance that its disclosure is necessary to prevent users of the report from being misled, and information about that event is not adequately disclosed by the responsible party in the subject matter or in its assertion, the practitioner should take appropriate action. (Ref: par. .A43–.A45)</p> <p>210.33 The practitioner has no responsibility to perform any procedures regarding the subject matter or assertion after the date of the practitioner's report. Nevertheless, the practitioner should respond appropriately to facts that become</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

1 <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	2 <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	3 <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
	at that date, may have caused the practitioner to revise the report. (Ref: par. .A59–.A60)	known to the practitioner after the date of the report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the report. (Ref: par. .A46–.A47)
<p><b>Other Information</b> 62. When documents containing the subject matter information and the assurance report thereon include other information, the practitioner shall read that other information to identify material inconsistencies, if any, with the subject matter information or the assurance report and, if on reading that other information, the practitioner: (Ref: Para. A142)</p> <p>(a) Identifies a material inconsistency between that other information and the subject matter information or the assurance report; or</p>	<p>205.55 If prior to or after the release of the practitioner’s report on subject matter or an assertion, the practitioner is willing to permit the inclusion of the report in a document that contains other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter, assertion, or the report. If upon reading the other information, in the practitioner’s professional judgment, either of the following applies, the practitioner should discuss the matter with the appropriate party and take further action as appropriate: (Ref: par. .A71–.A72)</p> <p>a. A material inconsistency between that other information and the subject matter, assertion, or the report exists.</p>	<p>210.39 If prior to or after the release of the practitioner's report on subject matter or an assertion, the practitioner is willing to permit the inclusion of the report in a document that contains the subject matter, or assertion and other information, the practitioner should read the other information to identify material inconsistencies, if any, with the subject matter, assertion, or practitioner's report. If upon reading the other information, in the practitioner's professional judgment either of the following applies, the practitioner should discuss the matter with the appropriate party and take further action as appropriate: (Ref: par. .A58–.A59)</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>(b) Becomes aware of a material misstatement of fact in that other information that is unrelated to matters appearing in the subject matter information or the assurance report,</p> <p>the practitioner shall discuss the matter with the appropriate party(ies) and take further action as appropriate.</p>	<p><i>b.</i> A material misstatement of fact exists in the other information, the subject matter, assertion, or practitioner’s report.</p>	<p><i>a.</i> A material inconsistency between that other information and the subject matter, assertion, or report exists.</p> <p><i>b.</i> A material misstatement of fact exists in the other information, the subject matter, assertion, or the practitioner's report.</p>
<p><b>Description of Applicable Criteria</b> 63. The practitioner shall evaluate whether the subject matter information adequately refers to or describes the applicable criteria. (Ref: Para. A143–A145)</p>	<p>205.56 The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A73–.A74)</p>	<p>210.40 The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the criteria. (Ref: par. .A60–.A61)</p>
<p><b>Forming the Assurance Conclusion</b> 64. The practitioner shall evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and,</p>	<p>205.46 The practitioner should evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if</p>	<p>210.30 The practitioner should evaluate the sufficiency and appropriateness of the limited assurance evidence obtained in the</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<p style="text-align: center;"><b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>if necessary in the circumstances, attempt to obtain further evidence. The practitioner shall consider all relevant evidence, regardless of whether it appears to corroborate or to contradict the measurement or evaluation of the underlying subject matter against the applicable criteria. If the practitioner is unable to obtain necessary further evidence, the practitioner shall consider the implications for the practitioner’s conclusion in paragraph 65. (Ref: Para. A146–A152)</p>	<p>necessary, attempt to obtain further evidence. The practitioner should consider all relevant evidence, regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A51–.A55)</p> <p>205.47 If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists and the practitioner should express a qualified opinion, disclaim an opinion, or withdraw from the engagement, when withdrawal is possible under applicable law or regulation. The practitioner should apply the requirements in paragraphs .69b and .73 when a scope limitation exists, and the practitioner is determining the type of opinion to be issued. (Ref: par. .A69)</p>	<p>context of the engagement and, if necessary, attempt to obtain further limited assurance evidence. The practitioner should consider all relevant limited assurance evidence, regardless of whether it appears to corroborate or contradict the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A40–.A42)</p> <p>210.31 If the practitioner concludes that the subject matter is materially misstated, the practitioner should consider the implications for the practitioner's conclusion in paragraphs .51–.59.</p> <p>210.59 If the practitioner is unable to obtain sufficient appropriate limited assurance evidence, a scope limitation exists. When a scope limitation exists, the practitioner should withdraw from the engagement, when withdrawal is possible</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
		under applicable laws and regulations. (Ref: par. .A56 and .A104–.A105)
65. The practitioner shall form a conclusion about whether the subject matter information is free of material misstatement. In forming that conclusion, the practitioner shall consider the practitioner’s conclusion in paragraph 64 regarding the sufficiency and appropriateness of evidence obtained and an evaluation of whether uncorrected misstatements are material, individually or in the aggregate. (Ref: Para. A3 and A153–A154)	205.57 The practitioner should form an opinion about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or the assertion is fairly stated, in all material respects. In forming that opinion, the practitioner should evaluate <ul style="list-style-type: none"> <li>a. the practitioner’s conclusion regarding the sufficiency and appropriateness of evidence obtained and (Ref: par. A75)</li> <li>b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A76)</li> </ul>	210.41 The practitioner should form a conclusion about whether the practitioner is aware of any material modifications that should be made to the subject matter in order for it to be in accordance with (or based on) the criteria or to the responsible party's assertion in order for it to be fairly stated. In forming that conclusion, the practitioner should evaluate <ul style="list-style-type: none"> <li>a. the practitioner's conclusion regarding the sufficiency and appropriateness of the limited assurance evidence obtained and (Ref: par. .A62)</li> <li>b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. .A63)</li> </ul>
66. If the practitioner is unable to obtain sufficient appropriate evidence, a scope limitation exists and the practitioner shall express a qualified conclusion, disclaim a	205.69 The practitioner should express a qualified opinion when either of the following applies: (Ref: par. .A115–.A118)	210.59 If the practitioner is unable to obtain sufficient appropriate limited assurance evidence, a scope limitation exists. When a scope limitation exists, the

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
conclusion, or withdraw from the engagement, where withdrawal is possible under applicable law or regulation, as appropriate. (Ref: Para. A155–A157)	<p><i>b.</i> The practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, but the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material, but not pervasive.</p> <p>205.73 The practitioner should disclaim an opinion when the practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, and the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be both material and pervasive. (Ref: par. .A119)</p>	practitioner should withdraw from the engagement, when withdrawal is possible under applicable laws and regulations. (Ref: par. .A56 and .A104–.A105)
<b>Preparing the Assurance Report</b>		
67. The assurance report shall be in writing and shall contain a clear expression of the practitioner’s conclusion about the subject matter information. (Ref: Para. A2, A158–	205.59 The practitioner’s report should be in writing. (Ref: par. .A79–.A81)	210.43 The practitioner's report should be in writing. (Ref: par. .A66–.A68)

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

1 <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	2 <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	3 <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
A160)		
68. The practitioner’s conclusion shall be clearly separated from information or explanations that are not intended to affect the practitioner’s conclusion, including any Emphasis of Matter, Other Matter, findings related to particular aspects of the engagements, recommendations or additional information included in the assurance report. The wording used shall make it clear that an Emphasis of Matter, Other Matter, findings, recommendations or additional information is not intended to detract from the practitioner’s conclusion. (Ref: Para. A158–A160)	205.79 The practitioner’s opinion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities. Any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear these paragraphs are not intended to detract from that opinion.	210.57 The practitioner's conclusion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities. Any paragraphs emphasizing matters relating to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear these paragraphs are not intended to detract from that conclusion.
<i>Assurance Report Content</i> 69. The assurance report shall include at a minimum the following basic elements:	205.62 The practitioner’s report should include the following, unless the practitioner is disclaiming an opinion, in which case, items 62g and 62h should be omitted:	210.46 The practitioner's report should include the following:

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
(a) A title that clearly indicates the report is an independent assurance report. (Ref: Para. A161)	205.62 A title that includes the word <i>independent</i> . (Ref: par. .A85)	a. A title that includes the word <i>independent</i> . (Ref: par. .A72)
(b) An addressee. (Ref: Para. A162)	205.62 <i>b</i> An appropriate addressee as required by the circumstances of the engagement.	b. An appropriate addressee as required by the circumstances of the engagement.
(c) An identification or description of the level of assurance obtained by the practitioner, the subject matter information and, when appropriate, the underlying subject matter.  When the practitioner’s conclusion is phrased in terms of a statement made by the appropriate party, that statement shall accompany the assurance report, be reproduced in the assurance report or be referenced therein to a source that is available to the intended users. (Ref: Para	205.62 <i>c</i> An identification or description of the subject matter or assertion being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter or assertion relates.  Par. 62gii of AT-C section 205 requires that the report identify the level of assurance.  205.61 The practitioner should obtain an assertion if the practitioner is reporting on the assertion. The assertion should be bound with or accompany the practitioner’s report, or the assertion should be clearly stated in the report. (Ref: par. .A84)	c. An identification or description of the subject matter or assertion being reported on, including the point in time or period of time to which the measurement or evaluation of the subject matter or assertion relates.  210.45 The practitioner should obtain a written assertion if the practitioner is reporting on the assertion. The assertion should be bound with or accompany the practitioner's report, or the assertion should be clearly stated in the report. (Ref: par. .A10 and .A70–.A71)

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
A163)		
(d) Identification of the applicable criteria. (Ref: Para. A164)	205.62d An identification of the criteria against which the subject matter was measured or evaluated. (Ref: par. .A86)	d. An identification of the criteria against which the subject matter was measured or evaluated. (Ref: par. .A73)
(e) Where appropriate, a description of any significant inherent limitations associated with the measurement or evaluation of the underlying subject matter against the applicable criteria. (Ref: Para. A165)	205.62j A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A97)	k. A statement that describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria. (Ref: par. .A81)
(f) When the applicable criteria are designed for a specific purpose, a statement alerting readers to this fact and that, as a result, the subject matter information may not be suitable for another purpose. (Ref: Para. A166–A167)	205.63 In the following circumstances, the practitioner’s report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .A105–.A107) a. The practitioner determines that the criteria used to evaluate the subject matter are appropriate only for a limited number of	210.47 In the following circumstances, the practitioner's report should include an alert, in a separate paragraph, that restricts the use of the report: (Ref: par. .A91–.A93) a. The practitioner determines that the criteria used to evaluate the subject

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
	<p>parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.</p> <p><i>b.</i> The criteria used to evaluate the subject matter are available only to specified parties.</p> <p><i>c.</i> The criteria are designed for a specific purpose.</p> <p>205.64 The alert should</p> <p><i>a.</i> state that the practitioner’s report is intended solely for the information and use of the specified parties,</p> <p><i>b.</i> identify the specified parties for whom use is intended, and (Ref: par. .A108)</p> <p><i>c.</i> state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A109–.A111)</p>	<p>matter are appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.</p> <p><i>b.</i> The criteria used to evaluate the subject matter are available only to specified parties.</p> <p><i>c.</i> The criteria are designed for a specific purpose.</p> <p>210.48 The alert should</p> <p><i>a.</i> state that the practitioner's report is intended solely for the information and use of the specified parties,</p> <p><i>b.</i> identify the specified parties for whom use is intended, and (Ref: par. .A94)</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
		c. state that the report is not intended to be, and should not be, used by anyone other than the specified parties. (Ref: par. .A95–.A97)
(g) A statement to identify the responsible party and the measurer or evaluator if different, and to describe their responsibilities and the practitioner’s responsibilities. (Ref: Para. A168)	205.62e A statement that identifies the responsible party and its responsibility for the subject matter in accordance with (or based on) the criteria or for its assertion (Ref: par. .A87–.A89)  Not included. AT-C section 205 does not include a requirement for the report to identify the measurer or evaluator if the measurer or evaluator is not the responsible party.	e. A statement that identifies the responsible party and its responsibility for the subject matter in accordance with (or based on) the criteria or for its assertion and (Ref: par. .A74–.A76)  Not included. AT-C section 210 does not include a requirement for the report to identify the measurer or evaluator if the measurer or evaluator is not the responsible party.
(h) A statement that the engagement was performed in accordance with this ISAE or, where there is a subject-matter specific ISAE, that ISAE. (Ref: Para. A169–A170)	205.62g A statement that i. the practitioner’s examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (Ref: par. .A90)	g. A statement that i. the practitioner's limited assurance engagement was conducted in accordance with attestation standards established by the American Institute

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
	.A90 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, AT-C section 320, <i>Reporting on an Examination of Controls Relevant to User Entities' Internal Control Over Financial Reporting</i> , of the attestation standards established by the American Institute of Certified Public Accountants.	of Certified Public Accountants. (Ref: par. .A77)  Added the following application paragraph linked to par. 210.46gi:  210.A77 In identifying the standards under which the engagement was performed, the practitioner may specify the AT-C section under which the engagement was performed, for example, “conducted in accordance with AT-C section 310, <i>Reporting on Pro Forma Financial Information</i> , of the attestation standards established by the American Institute of Certified Public Accountants.”
(i) A statement that the practitioner complies with the independence and other ethical requirements of the IESBA Code, or other professional requirements, or requirements imposed by law or	205.62i A statement that the practitioner is independent and has fulfilled the practitioner’s other ethical responsibilities in accordance with relevant ethical requirements related to the examination engagement. (Ref: par. .A95–.A96)	j. A statement that the practitioner is independent and has fulfilled the practitioner’s other ethical responsibilities in accordance with relevant ethical requirements relating to

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
regulation, that are at least as demanding as Parts A and B of the IESBA Code related to assurance engagements. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements imposed by law or regulation, applied that are at least as demanding as Parts A and B of the IESBA Code related to assurance engagements. (Ref: Para. A172)		the limited assurance engagement. (Ref: par. .A79–.A80)
(j) A statement that the firm of which the practitioner is a member applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation,	Not included.	Not included.



ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>engagement, an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the practitioner’s conclusion. In a limited assurance engagement, the summary of the work performed shall state that:</p>		
<p>i. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and</p>	<p>Not applicable to examination engagements.</p>	<p>h. A statement that the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter is in accordance with (or based on) the criteria, in all material respects, or the responsible party's assertion is fairly stated, in all material respects, in order to express an opinion. As a consequence of the limited nature of the engagement, the level of assurance obtained in a</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
		<p>limited assurance engagement is substantially lower than the assurance that would have been obtained had an examination been performed.</p>
<p>ii. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. (Ref: Para. A6, A173–A177)</p>		<p>See preceding.</p>
<p>(l) The practitioner’s conclusion: (Ref: Para. A2, A178–A180)</p>	<p>205.62k The practitioner’s opinion about whether (Ref: par. .A98–.A101)</p>	<p>m. The practitioner's conclusion about whether, based on the limited assurance engagement, the practitioner is aware of any material modifications that should be made to (Ref: par. .A85–.A87)</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
		<p>i. the subject matter in order for it be in accordance with (or based on) the criteria or</p> <p>ii. the responsible party's assertion in order for it to be fairly stated.</p>
<p>i. When appropriate, the conclusion shall inform the intended users of the context in which the practitioner's conclusion is to be read. (Ref: Para. A179)</p>	<p>Not included.</p>	<p>Not included.</p>
<p>ii. In a reasonable assurance engagement, the conclusion shall be expressed in a positive form. (Ref: Para. A178)</p>	<p>Not included. However, par. .62k of AT-C section 205 specifically states what the opinion should state</p> <p>205.62 The practitioner's report should include the following, unless the practitioner is disclaiming an opinion, in which case, items .62g and .62h should be omitted:</p> <p>205.62k the practitioner's opinion about whether</p>	<p>Not applicable to limited assurance engagements.</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
	(Ref: par. .A98–.A101)  i. the subject matter is in accordance with (or based on) the criteria, in all material respects or  ii. the responsible party’s assertion is fairly stated, in all material respects.	
iii. In a limited assurance engagement, the conclusion shall be expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe that the subject matter information is materially misstated. (Ref: Para. A180)	Not applicable to examination engagements.	See preceding.
iv. The conclusion in (ii) or (iii) shall be phrased using appropriate words for	Not included.	210.44 A practitioner should report on a written assertion or directly on the subject

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>the underlying subject matter and applicable criteria given the engagement circumstances and shall be phrased in terms of: (Ref: Para. A181)</p> <ul style="list-style-type: none"> <li>a The underlying subject matter and the applicable criteria;</li> <li>b The subject matter information and the applicable criteria; or</li> <li>c A statement made by the appropriate party.</li> </ul>	<p>The options of reporting on the subject matter or on the assertion are covered in par. .60 of AT-C section 205.</p> <p>205.60 A practitioner should report on a written assertion or directly on the subject matter. As discussed in paragraph .78, if the opinion is modified because of a material misstatement, the practitioner should report directly on the subject matter. Additionally, before the practitioner reports on management’s assertion, the practitioner should use professional judgment in determining whether management has a reasonable basis for making its assertion. (Ref: par. .A82–.A83)</p>	<p>matter. As discussed in paragraph .56, if the report is modified for a material misstatement, the practitioner should report directly on the subject matter. Additionally, before the practitioner reports on management’s assertion, the practitioner should use professional judgment in determining whether management has a reasonable basis for making its assertion. (Ref: par. .A69–.A70)</p>
<ul style="list-style-type: none"> <li>v. When the practitioner expresses a modified conclusion, the assurance report shall contain: <ul style="list-style-type: none"> <li>a A section that provides a description of the matter(s) giving rise to the modification;</li> </ul> </li> </ul>	<p>205.68 When the practitioner modifies the opinion, the practitioner should include a separate paragraph in the practitioner’s report that provides a description of the matter giving rise to the modification.</p>	<p>210.53 When the practitioner modifies the conclusion, the practitioner should include a separate paragraph in the practitioner's report that provides a description of the nature of the matter giving rise to the modification and, if practicable, includes</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
and b A section that contains the practitioner's modified conclusion. (Ref: Para. A182)		the effects on the subject matter.
(m) The practitioner's signature. (Ref: Para. A183)	205. 62l The manual or printed signature of the practitioner's firm.	n. The manual or printed signature of the practitioner's firm.
(n) The date of the assurance report. The assurance report shall be dated no earlier than the date on which the practitioner has obtained the evidence on which the practitioner's conclusion is based, including evidence that those with the recognized authority have asserted that they have taken responsibility for the subject matter information. (Ref: Para. A184)	205.62n n. 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, ii. if applicable, the written presentation of the subject matter has been prepared, and iii. the appropriate party has provided all necessary representations. (Ref: par. .A103–.A104)	p. The date of the report. The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate limited assurance evidence on which to base the practitioner's conclusion, including evidence that (Ref: par. .A89–.A90)  i. the attestation documentation has been reviewed,

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
		<p>ii. if applicable, the written presentation of the subject matter has been prepared, and</p> <p>iii. the appropriate party has provided all necessary representations.</p>
(o) The location in the jurisdiction where the practitioner practices.	205.62 <sup>m</sup> The city and state where the practitioner practices. (Ref: par. .A102)	o. The city and state where the practitioner practices. (Ref: par. .A88)
<p><i>Reference to the Practitioner’s Expert in the Assurance Report</i></p> <p>70. If the practitioner refers to the work of a practitioner’s expert in the assurance report, the wording of that report shall not imply that the practitioner’s responsibility for the conclusion expressed in that report is reduced because of the involvement of that expert. (Ref: Para. A185–A187)</p>	<p>205.80 When the opinion is modified, reference to an external specialist is permitted when such reference is relevant to an understanding of the modification to the practitioner’s opinion. The practitioner should indicate in the practitioner’s report that such reference does not reduce the practitioner’s responsibility for that opinion.</p>	<p>210.50 The practitioner should not refer to the work of a practitioner’s specialist in the practitioner’s report containing an unmodified conclusion. (Ref: par. .A98)</p> <p>210.58 When the conclusion is modified, reference to an external specialist is permitted when such reference is relevant to an understanding of the modification to the practitioner’s conclusion. The practitioner should indicate in the practitioner’s report that such reference does not reduce the practitioner’s</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

1 <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	2 <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	3 <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
		responsibility for that conclusion.
<i>Assurance Report Prescribed by Law or Regulation</i> 71. If the practitioner is required by law or regulation to use a specific layout or wording of the assurance report, the assurance report shall refer to this or other ISAEs only if the assurance report includes, at a minimum, each of the elements identified in paragraph 69.	105.18 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)	Not included.
<b>Unmodified and Modified Conclusions</b> 72. The practitioner shall express an unmodified conclusion when the practitioner concludes:  (a) In the case of a reasonable assurance engagement, that the subject matter information is prepared, in all material respects, in accordance with the applicable criteria; or  (b) In the case of a limited assurance	Not included.  This is not specifically stated in AT-C section 205, but par. .67 of AT-C section 205 identifies when the practitioner should modify the opinion.  205.67 The practitioner should modify the opinion when either of the following circumstances exist and, in the practitioner’s professional judgment, the effect of the matter is or may be material: (Ref: par. .A113–.A114)  a. The practitioner is unable to obtain	Not included.

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

1 <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	2 <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	3 <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
engagement, that, based on the procedures performed and evidence obtained, no matter(s) has come to the attention of the practitioner that causes the practitioner to believe that the subject matter information is not prepared, in all material respects, in accordance with the applicable criteria	<p>sufficient appropriate evidence to conclude that the subject matter is in accordance with (or based on) the criteria, in all material respects.</p> <p><i>b.</i> The practitioner concludes, based on evidence obtained, that the subject matter is not in accordance with (or based on) the criteria, in all material respects.</p>	
<p>73. If the practitioner considers it necessary to:</p> <p>(a) Draw intended users' attention to a matter presented or disclosed in the subject matter information that, in the practitioner's judgment, is of such importance that it is fundamental to intended users' understanding of the subject matter information (an Emphasis of Matter paragraph); or</p> <p>(b) Communicate a matter other than those that are presented or disclosed in the subject matter information</p>	<p>205.79 The practitioner's opinion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities and phrased in a manner that makes clear that it is not intended to detract from that opinion. Any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear that these paragraphs are not intended to detract from the opinion.</p>	<p>210.57 The practitioner's conclusion on the subject matter or assertion should be clearly separated from any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities. Any paragraphs emphasizing matters related to the subject matter or any other reporting responsibilities should be phrased in a manner that makes it clear that these paragraphs are not intended to detract from that conclusion.</p>

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>that, in the practitioner’s judgment, is relevant to intended users’ understanding of the engagement, the practitioner’s responsibilities or the assurance report (an Other Matter paragraph),</p> <p>and this is not prohibited by law or regulation, the practitioner shall do so in a paragraph in the assurance report, with an appropriate heading, that clearly indicates the practitioner’s conclusion is not modified in respect of the matter. In the case of an Emphasis of Matter paragraph, such a paragraph shall refer only to information presented or disclosed in the subject matter information.</p>		
<p>74. The practitioner shall express a modified conclusion in the following circumstances:</p>	<p>205.67 The practitioner should modify the opinion when either of the following circumstances exist and, in the practitioner’s professional judgment, the effect of the matter is or may be material: (Ref: par. .A113–.A114)</p>	<p>210.52 The practitioner should express a modified conclusion when, in the practitioner’s professional judgment, the subject matter is materially misstated. In such cases, the practitioner should express</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>(a) When, in the practitioner’s professional judgment, a scope limitation exists and the effect of the matter could be material (see paragraph 66). In such cases, the practitioner shall express a qualified conclusion or a disclaimer of conclusion.</p> <p>(b) When, in the practitioner’s professional judgment, the subject matter information is materially misstated. In such cases, the practitioner shall express a qualified conclusion or adverse conclusion. (Ref: Para. A190)</p>	<p>a. The practitioner is unable to obtain sufficient appropriate evidence to conclude that the subject matter is in accordance with (or based on) the criteria, in all material respects.</p> <p>b. The practitioner concludes, based on evidence obtained, that the subject matter is not in accordance with (or based on) the criteria, in all material respects.</p>	<p>a qualified conclusion or adverse conclusion. (Ref: par. .A101)</p>
<p>75. The practitioner shall express a qualified conclusion when, in the practitioner’s professional judgment, the effects, or possible effects, of a matter are not so material and pervasive as to require an adverse conclusion or a disclaimer of conclusion. A qualified conclusion shall be expressed as being “except for” the effects, or possible effects, of the</p>	<p>205.69 The practitioner should express a qualified opinion when either of the following applies: (Ref: par. .A115–.A118)</p> <p>a. The practitioner, having obtained sufficient appropriate evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive to the subject matter.</p>	<p>210.54 The practitioner should express a qualified conclusion when, in the practitioner’s professional judgment, the effects of a matter are material but not pervasive. A qualified conclusion is expressed as being “except for” the effects of the matter to which the qualification relates. (Ref: par. .A102–.A103)</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
matter to which the qualification relates. (Ref: Para. A188–A189)	<i>b.</i> The practitioner is unable to obtain sufficient appropriate evidence on which to base the opinion, but the practitioner concludes that the possible effects on the subject matter of undetected misstatements, if any, could be material, but not pervasive.	
76. If the practitioner expresses a modified conclusion because of a scope limitation but is also aware of a matter(s) that causes the subject matter information to be materially misstated, the practitioner shall include in the assurance report a clear description of both the scope limitation and the matter(s) that causes that the subject matter information to be materially misstated.	205.77 If the practitioner expresses a modified opinion because of a scope limitation but is also aware of a matter that causes the subject matter to be materially misstated, the practitioner should include in the practitioner’s report a clear description of both the scope limitation and the matter that causes the subject matter to be materially misstated.	Not included.
77. When the statement made by the appropriate party has identified and properly described that the subject matter information is materially misstated, the practitioner shall either:	205.78 If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should modify the opinion and express a qualified	210.56 If the practitioner has concluded that conditions exist that, individually or in combination, result in one or more material misstatements based on the criteria, the practitioner should express a qualified or

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
<p>(a) Express a qualified conclusion or adverse conclusion phrased in terms of the underlying subject matter and the applicable criteria; or</p> <p>(b) If specifically required by the terms of the engagement to phrase the conclusion in terms of a statement made by the appropriate party, express an unqualified conclusion but include an Emphasis of Matter paragraph in the assurance report referring to the statement made by the appropriate party that identifies and properly describes that the subject matter information is materially misstated. (Ref: Para. A191)</p>	<p>or adverse opinion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.</p> <p>Not included.</p>	<p>adverse conclusion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.</p> <p>Not included.</p>
<p>78. The practitioner shall consider whether, pursuant to the terms of the engagement and other engagement circumstances, any matter has come to the attention of the practitioner that is to be communicated with the responsible party, the measurer or evaluator, the engaging</p>	<p>205.81 The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, uncorrected misstatements, and, when relevant to the subject matter, internal control deficiencies identified during the engagement. When the</p>	<p>210.60 The practitioner should communicate to the responsible party known and suspected fraud and noncompliance with laws or regulations, as well as uncorrected misstatements. When the engaging party is not the responsible</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

1 <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	2 <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	3 <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
party, those charged with governance or others. (Ref: Para. A192)	<p>engaging party is not the responsible party, the practitioner should also communicate this information to the engaging party. (Ref: par. .A120)</p> <p>205.82 If the practitioner has identified or suspects noncompliance with laws or regulations that are not relevant to the subject matter, the practitioner should determine whether the practitioner has a responsibility to report the identified or suspected noncompliance to parties other than the responsible party and the engaging party (if different). (Ref: par. .A121–.A122)</p>	party, the practitioner should also communicate this information to the engaging party. (Ref: par. .A106)
<p><b>Documentation</b></p> <p>79. The practitioner shall prepare on a timely basis engagement documentation that provides a record of the basis for the assurance report that is sufficient and appropriate to enable an experienced practitioner, having no previous connection with the engagement, to understand: (Ref: Para. A193– A197)</p>	<p>205.83 The practitioner should prepare engagement documentation that is sufficient to determine the following: (Ref: par. .A123–.A126)</p> <p><i>a.</i> The nature, timing, and extent of the</p>	<p>210.61 The practitioner should prepare engagement documentation that is sufficient to determine the following:(Ref: par. .A107–.A110)</p> <p><i>a.</i> The nature, timing, and extent of the procedures performed to comply with relevant AT-C sections and applicable</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>(a) The nature, timing and extent of the procedures performed to comply with relevant ISAEs and applicable legal and regulatory requirements;</p> <p>(c) Significant matters arising during the engagement, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.</p> <p>(b) The results of the procedures performed, and the evidence obtained; and</p>	<p>procedures performed to comply with relevant AT-C sections and applicable legal and regulatory requirements, including the following:</p> <p>iii. The discussions with the responsible party or others about findings or issues that, in the practitioner’s professional judgment, are significant, including the nature of the significant findings or issues discussed, and when and with whom the discussions took place</p> <p>b. The results of the procedures performed and the evidence obtained</p>	<p>legal and regulatory requirements, including the following:</p> <p>iii. The discussions with the responsible party or others about findings or issues that, in the practitioner's professional judgment, are significant, including the nature of the significant findings or issues discussed, and when and with whom the discussions took place</p> <p>b. The results of the procedures performed and the limited assurance evidence obtained.</p>
<p>80. If the practitioner identifies information that is inconsistent with the practitioner’s final conclusion regarding a significant matter, the practitioner shall document how the</p>	<p>205.83avi If the practitioner identified information that is inconsistent with the practitioner’s final opinion regarding a significant matter, how the practitioner addressed the inconsistency</p>	<p>vii. If the practitioner identified information that is inconsistent with the practitioner's final conclusion regarding a significant finding or</p>

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<b>1</b> <b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>	<b>2</b> <b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>	<b>3</b> <b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b>
practitioner addressed the inconsistency.		issue, how the practitioner addressed the inconsistency
81. The practitioner shall assemble the engagement documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the assurance report. (Ref: Para. A198–A199)	105.37 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. .A68)	
82. After the assembly of the final engagement file has been completed, the practitioner shall not delete or discard engagement documentation of any nature before the end of its retention period. (Ref: Para. A200)	105.38 After the documentation completion date, the practitioner should not delete or discard documentation of any nature before the end of its retention period.	
83. If the practitioner finds it necessary to amend existing engagement documentation or add new engagement documentation after the assembly of the final engagement file has been completed the practitioner shall, regardless of the nature of the amendments or additions, document:	105.39 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	

ED Revisions to SSAE No. 18 – November 2018  
ARSC Meeting, November 13-15, 2018

<p style="text-align: center;"><b>1</b></p> <p style="text-align: center;"><b>Requirements in ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b></p>	<p style="text-align: center;"><b>2</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Sections 105 and 205 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>	<p style="text-align: center;"><b>3</b></p> <p style="text-align: center;"><b>Related Paragraphs in AT-C Section 210 of the Exposure Draft Revisions to Statement on Standards for Attestation Engagements No. 18, Attestation Standards: Clarification and Recodification</b></p>
<p>(a) The specific reasons for making the amendments or additions; and</p> <p>(b) When, and by whom, they were made and reviewed.</p>	<p><i>a.</i> the specific reasons for making the amendments or additions and</p> <p><i>b.</i> when, and by whom, they were made and reviewed.</p>	