

---

# EXPOSURE DRAFT

---

## PROPOSED STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS

### *Attestation Standards: Clarification and Recodification*

*(To supersede AT section 20, Defining Professional Requirements in Statements on Standards for Attestation Engagements; AT section 50, SSAE Hierarchy; AT section 101, Attest Engagements; and AT section 201, Agreed-Upon Procedures Engagements, of Statements on Standards for Attestation Engagements [AICPA, Professional Standards])*

**July 24, 2013**

**Comments are requested by October 24, 2013**

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 [shazel@aicpa.org](mailto:shazel@aicpa.org).



Copyright © 2013 by  
American Institute of Certified Public Accountants, Inc.  
New York, NY 10036-8775

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: "Copyright © 2013 by American Institute of Certified Public Accountants, Inc. Used with permission."

## CONTENTS

Page

### Explanatory Memorandum

Introduction .....	4
Background .....	4
Effective Date.....	4
Changes From Existing Standards .....	5
Issue for Consideration .....	7
Guide for Respondents .....	7
Supplement to the Exposure Draft .....	7
Comment Period.....	8
Auditing Standards Board .....	9

### Exposure Draft

Proposed Statement on Standards for Attestation Engagements <i>Attestation Standards: Clarification and Recodification</i> .....	10
---	----

# Explanatory Memorandum

## Introduction

Statements on Standards for Attestation (SSAEs), which are also known as the attestation standards, establish requirements for examining, reviewing, and applying agreed-upon procedures to subject matter other than historical financial statements, for example, a schedule of investment returns, the effectiveness of controls over the security of a system, a statement of greenhouse gas emissions, or the privacy of personal information. This memorandum provides background regarding the proposed SSAE *Attestation Standards: Clarification and Recodification*, which would supersede AT sections 20, *Defining Professional Requirements in Statements on Standards for Attestation Engagements*; 50, *SSAE Hierarchy*; 101, *Attest Engagements*; and 201, *Agreed-Upon Procedures Engagements* (AICPA, *Professional Standards*). The accompanying proposed SSAE represents the redrafting of those AT sections to apply the Auditing Standards Board's (ASB's) clarity drafting conventions, as subsequently discussed.

## Background

### Clarity

To address concerns over the clarity, length, and complexity of its standards, the ASB has undertaken a significant effort to clarify the professional standards it issues. The ASB began by clarifying the Statements on Auditing Standards (SASs), and it has substantially completed that effort. The ASB has begun clarifying the SSAEs, beginning with those SSAEs that provide a framework for performing and reporting on attestation engagements.

This proposed SSAE has been drafted in accordance with the ASB's clarity drafting conventions, which include the following:

- Establishing objectives for each chapter of the standard
- Including a definitions section, if relevant, in each chapter of the standard
- Separating requirements from application and other explanatory material
- Numbering application and other explanatory material paragraphs using an A- prefix and presenting them in a section following the requirements section
- Using formatting techniques, such as bulleted lists, to enhance readability
- Including, when appropriate, additional considerations specific to governmental entities or smaller less complex entities within the application and other explanatory material. These additional considerations assist in the application of the requirements included in the SSAEs.

### Format of the Exposure Draft

This exposure draft is presented in a columnar format in which requirements and related application guidance are presented side-by-side instead of the more customary sequential presentation. This approach has been efficient for the ASB in developing and reviewing the proposed SSAE, and it is used here for the benefit of respondents. The resulting SSAE will be issued in the traditional format.

### Effective Date

The effective date of the proposed SSAE has not been determined. The date will be based, in part, on the timing of a parallel project to clarify the subject-matter specific AT sections (AT sections 301–801) and

conform them with this proposed SSAE. The clarified subject-matter-specific sections will be exposed separately. It is anticipated that the proposed guidance in the two exposure drafts would be effective simultaneously. It is not anticipated that the effective date would be for reports dated before December 15, 2014.

## Changes From Existing Standards

The following changes to existing standards summarize what the ASB believes would be the most significant changes to existing standards if the SSAE were issued as proposed.

- *Restructuring of the attestation standards.* The proposed SSAE restructures the attestation standards so that the requirements and guidance applicable to any attestation engagement are in Chapter 1, “Concepts Common to All Attestation Engagements.” Separate chapters for examination, review, and agreed-upon procedures engagements (chapters 2, “Examination Engagements;” 3, “Review Engagements;” and 4, “Agreed-Upon Procedures Engagements,” respectively) build on the common concepts chapter and include performance and reporting requirements and application guidance tailored to the specific type of engagement. The ASB plans to revise the subject-matter specific chapters to adopt the clarity drafting conventions and to conform them with chapters 1–4 of this exposure draft. The revised subject-matter specific chapters would not repeat the general guidance found in chapters 1–4 and would, as they do now, discuss all services relevant to the specific subject matter rather than separating the content by type of service. For example, AT section 601, *Compliance Attestation (AICPA, Professional Standards)*, would discuss the requirements for both examinations and agreed-upon procedures engagements related to compliance but would not repeat guidance found in chapters 1–4, such as the requirement in chapter 1 to obtain written representations in an examination engagement. The term *chapters*, rather than *sections*, is used in this exposure draft; however, ultimately the clarified chapters will be codified in *AICPA Professional Standards*, and they will be referred to as AT sections. The subject-matter specific chapters are expected to be contained in chapters 5–10 of the clarified attestation standards. Those chapters will be exposed for comment at a later date and are not included in this exposure draft.
- *Required assertion in examinations and reviews.* For all examination and review engagements, the proposed SSAE requires a practitioner to obtain from the responsible party a written assertion about the measurement or evaluation of the subject matter against the applicable criteria. Extant AT section 101 indicates that a practitioner should ordinarily obtain a written assertion from the responsible party in an examination or review engagement, but it allows for certain exceptions when the engaging party is not the responsible party. In those circumstances, the practitioner may perform the examination or review without obtaining a written assertion but is required to restrict the use of the report. This alternative would no longer be permitted for examinations and reviews.
- *Required representation letters in examinations and reviews.* In the extant SSAEs, AT section 101 discusses representation letters but does not require them. (However, certain extant subject-matter specific AT sections require the practitioner to obtain a representation letter.) The proposed SSAE requires a representation letter in all examination and review engagements. However, if a responsible party who is not the engaging party refuses to provide the practitioner with a representation letter, the practitioner would not necessarily be required to conclude that a scope limitation exists if the practitioner is able to obtain satisfactory oral responses from the responsible party to the matters ordinarily included in the representation letter. In these circumstances, use of the examination or review report would be restricted to the engaging party.
- *Risk assessment for examination engagements.* The proposed SSAE requires practitioners to obtain a more in-depth understanding of the development of the subject matter than currently

required in order to better identify the risks of material misstatement in an examination engagement. This, in turn, should lead to an improved linkage between assessed risks and the nature, timing, and extent of attestation procedures performed in response to those risks.

- *Incorporation of detailed requirements.* The proposed SSAE incorporates a number of detailed requirements (such as the need for an engagement letter or equivalent and for written representations in examinations and reviews) that are similar to those contained in the SASs; the International Auditing and Assurance Standards Board (IAASB) exposure draft, International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits and Reviews of Historical Financial Information* (ISAE 3000 exposure draft); and ISAE 3410, *Assurance Engagements on Greenhouse Gas Emissions*. The proposed SSAE adopts these requirements based on the ASB's belief that a service that results in a level of assurance similar to that obtained in an audit or review of historical financial statements should generally consist of similar requirements.
- *Separate discussion of review engagements.* The proposed SSAE separates the detailed procedural and reporting requirements for reviews from their counterparts for examinations. The resulting guidance more clearly differentiates the services, highlighting the similarity of a review under the SSAEs to a review under the Statements on Standards for Accounting and Review Services.
- *Scope limitation imposed by the engaging party or the responsible party.* Paragraph .74 of AT section 101 indicates that when restrictions that significantly limit the scope of the engagement are imposed by the engaging party or the responsible party, the practitioner generally should disclaim an opinion or withdraw from the engagement. The proposed SSAE does not contain the same requirement; instead, it indicates that based on the practitioner's assessment of the effect of the scope limitation, the practitioner should express a qualified opinion, disclaim an opinion, or withdraw from the engagement (when withdrawal is possible under applicable laws or regulations).

## Convergence

It is the ASB's general strategy to converge its standards with those of the IAASB.<sup>1</sup> Accordingly, the foundation for chapters 1, 2, and 3 of the proposed SSAE is the April 2011 ISAE 3000 exposure draft. Many of the paragraphs in the proposed SSAE have been converged with the related paragraphs in the ISAE 3000 exposure draft, with certain changes made to reflect U.S. professional standards. Other content included in the proposed SSAE is derived from the extant SSAEs and ISAE 3410. The ASB decided not to adopt certain provisions of the ISAE 3000 exposure draft based on (a) the U.S. profession's experience with the attestation standards during the past 25 years and (b) inconsistencies with other U.S. professional standards. Because ISAE 3410 was finalized in June 2011 and the ISAE 3000 exposure draft has not yet been finalized, the ASB recognizes that ISAE 3410 is not entirely consistent with the ISAE 3000 exposure draft, and it expects that one or both documents might be revised for consistency, which also might create the need to revise the proposed SSAE. The ASB will consider the ramifications on the proposed SSAE of the provisions contained in the final version of ISAE 3000 when it is issued.

Chapter 4 of the proposed SSAE is based on a redrafting of extant AT section 201 in clarified format. The ISAE 3000 exposure draft does not cover agreed-upon procedures engagements.

---

<sup>1</sup> Information about the Auditing Standards Board's clarity project is available online at [www.aicpa.org/InterestAreas/FRC/AuditAttest/Pages/ImprovingClarityASBStandards.aspx](http://www.aicpa.org/InterestAreas/FRC/AuditAttest/Pages/ImprovingClarityASBStandards.aspx).

## Issue for Consideration

As noted in the preceding section “Changes From Existing Standards,” the proposed SSAE restructures the content of AT sections 20, 50, 101, and 201. The ASB believes that the revised structure eliminates the repetition of material that is common to all attestation engagements while providing self-contained procedural and reporting guidance for each of the three services when guidance is not common to all. The ASB considered other approaches, such as stand-alone discussions of each type of service with no common concepts section, but it believes that the approach presented strikes the best balance of ease of use and conceptual clarity. To highlight the differences between examinations and reviews, an exhibit to chapter 3 provides a comparison of the requirements for examinations and reviews. The ASB also considered moving the agreed-upon procedures guidance out of the SSAEs, as the IAASB has done in International Standard on Related Services 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Statements*, but it believes that retaining them within the SSAEs is more consistent with the way practitioners use the standards.

Commenters are specifically asked to consider: Does this revised structure facilitate understanding and implementing the standards?

## Guide for Respondents

The ASB is seeking comments specifically on changes resulting from applying the clarity drafting conventions and their effect on the content of the proposed SSAE. Respondents are asked to respond, in particular, to the following questions:

1. Are the objectives of the practitioner in each of the chapters appropriate?
2. Are the substantive and language changes to extant AT sections 20, 50, 101, and 201 made by the exposure draft appropriate? (The disposition of the requirements in extant AT sections 20, 50, 101, and 201 are shown in the supplement to this exposure draft described subsequently.)
3. Are there considerations for less complex entities and governmental entities that should be addressed in the exposure draft?

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 24, 2013. Responses should be sent to Sherry Hazel at [shazel@aicpa.org](mailto:shazel@aicpa.org) and received by October 24, 2013.

## 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 a matrix document, which identifies the disposition of the requirements in extant AT sections 20, 50, 101, and 201 within the proposed SSAE. The schedule has five columns (*a–e*) containing the following:

- a.* Paragraphs in extant AT sections 20, 50, 101, and 201 that contain requirements
- b–e.* Disposition of the requirements listed in column *a* in the proposed SSAE, by chapter

This staff-prepared matrix is available on the AICPA website at [www.aicpa.org/SASClarity](http://www.aicpa.org/SASClarity). 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 24, 2013.

**Auditing Standards Board  
(2013–2014)**

Bruce P. Webb, Chair  
Hunter Cook  
Samuel K. Cotterell  
James R. Dalkin  
Jack F. Fuchs  
Jennifer Haskell  
Sandra K. Johnigan  
Edwin G. Jolicoeur  
Ilene Kassman  
Ryan Kaye

Barbara Lewis  
Carolyn H. McNerney  
David L. Miller  
Don M. Pallais  
Marc Panucci  
Michael J. Santay  
Chris Smith  
Kay W. Tatum  
Kim L. Tredinnick

**Attestation Recodification Task Force**

Don Pallais, Chair  
Nicole Burkart  
Mark Chapin  
Marne Doman  
Michael A. Fleming

Jennifer Haskell  
Susan S. Jones  
Angie Moss  
Michael J. Santay  
assisted by Maria Manasses

The task force gratefully acknowledges the substantial contributions of former task force members Marcia Buchanan, Heather I. Keister, Fain L. McDaniel, and Kurtis A. Wolff.

**AICPA Staff**

Charles E. Landes  
Vice President  
Professional Standards and Services

Judith Sherinsky  
Senior Technical Manager  
Audit and Attest Standards

Richard Miller  
Special Counsel

# PROPOSED STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS

## ATTESTATION STANDARDS: CLARIFICATION AND RECODIFICATION

### CONTENTS

---

	Paragraph
<b>Preface to the Attestation Standards</b>	
<b>Chapter 1—Concepts Common to All Attestation Engagements</b>	
<b>Introduction</b> .....	1.1–1.4
Relationship to Other Pronouncements.....	1.5
The Relationship of Attestation Standards to Quality Control Standards.....	1.6–1.7
Effective Date .....	1.8
<b>Objectives</b> .....	1.9
<b>Definitions</b> .....	1.10–1.11
<b>Requirements</b>	
Conduct of an Attestation Engagement in Accordance With the Attestation Standards .....	1.12–1.15
Complying With Relevant Requirements .....	1.16–1.17
Attestation Report Prescribed by Law or Regulation .....	1.18–1.19
Departure From a Relevant Requirement .....	1.20–1.22
Acceptance and Continuance.....	1.23
Preconditions for an Attestation Engagement.....	1.24–1.28
Acceptance of a Change in the Terms of the Engagement .....	1.29
Quality Control .....	1.30
Leadership Responsibilities for Quality in Attestation Engagements.....	1.31
Other Communication Responsibilities .....	1.32
Documentation.....	1.33–1.39
Engagement Quality Control Review .....	1.40
Professional Skepticism and Professional Judgment .....	1.41–1.43
<b>Application Guidance</b>	
Introduction.....	1.A1–1.A2
Relationship to Other Pronouncements.....	1.3
Definitions.....	1.A4–1.A12
Conduct of an Attestation Engagement in Accordance With the Attestation Standards .....	1.A13–1.A19
Complying With Relevant Requirements .....	1.A20
Attestation Report Prescribed by Law or Regulation .....	1.A21
Departure From a Relevant Requirement .....	1.A22–1.A26
Preconditions for an Attestation Engagement.....	1.A27–1.A47
Acceptance of a Change in the Terms of the Engagement .....	1.A48
Quality Control .....	1.A49–1.A52
Other Communication Responsibilities .....	1.A53
Documentation.....	1.A54–1.A55
Engagement Quality Control Review .....	1.A56
Professional Skepticism and Professional Judgment .....	1.A57–1.A64
<b>Chapter 2—Examination Engagements</b>	
<b>Introduction</b> .....	2.1
Effective Date .....	2.2

<b>Objectives</b> .....	2.3
<b>Requirements</b>	
Conduct of an Examination Engagement.....	2.4
Agreeing on the Terms of the Engagement.....	2.5–2.7
Obtaining a Written Assertion.....	2.8
Planning and Performing the Engagement.....	2.9–2.12
Risk Assessment Procedures.....	2.13
Materiality in Planning and Performing the Engagement.....	2.14–2.15
Identifying Risks of Material Misstatement.....	2.16
Responding to Assessed Risks.....	2.17
Further Procedures.....	2.18–2.20
Tests of Controls.....	2.21–2.22
Procedures Other Than Tests of Controls.....	2.23
Analytical Procedures Performed in Response to Assessed Risks.....	2.24–2.25
Procedures Regarding Estimates.....	2.26–2.27
Sampling.....	2.28
Fraud, Laws, and Regulations.....	2.29–2.30
Revision of Risk Assessment.....	2.31
Evaluating the Reliability of Information Produced by the Entity.....	2.32
Using the Work of a Practitioner’s Specialist.....	2.33
Using the Work of Internal Auditors.....	2.34–2.35
Using the Work of Other Practitioners.....	2.36
Evaluating the Results of Examination Procedures.....	2.37–2.38
Considering Subsequent Events and Subsequently Discovered Facts.....	2.39–2.40
Written Representations.....	2.41–2.44
Requested Written Representations Not Provided or Not Reliable.....	2.45–2.46
Other Information.....	2.47
Description of Applicable Criteria.....	2.48
Forming the Opinion.....	2.49
Preparing the Report.....	2.50–2.51
Report Content.....	2.52
Reference to the Practitioner’s Specialist.....	2.53–2.54
Modified Opinions.....	2.55–2.60
Documentation.....	2.61–2.63
<b>Application Guidance</b>	
Agreeing on the Terms of the Engagement.....	2.A1–2.A5
Obtaining a Written Assertion.....	2.A6
Planning and Performing the Engagement.....	2.A7–2.A10
Risk Assessment Procedures.....	2.A11
Materiality in Planning and Performing the Engagement.....	2.A12–2.A18
Identifying Risks of Material Misstatement.....	2.A19–2.A20
Responding to Assessed Risks.....	2.A21–2.A22
Tests of Controls.....	2.A23
Analytical Procedures Performed in Response to Assessed Risks.....	2.A24–2.A25
Sampling.....	2.A26–2.A27
Fraud, Laws, and Regulations.....	2.A28–2.A29
Revision of Risk Assessment.....	2.A30–2.A31
Using the Work of a Practitioner’s Specialist.....	2.A32–2.A44
Using the Work of Internal Auditors.....	2.A45–2.A46
Using the Work of Other Practitioners.....	2.A47–2.A48
Evaluating the Results of Examination Procedures.....	2.A49–2.A55

Considering Subsequent Events and Subsequently Discovered Facts.....	2.A56–2.A59
Written Representations.....	2.A60–2.A62
Requested Written Representations Not Provided or Not Reliable .....	2.A63
Other Information.....	2.A64–2.A65
Description of Applicable Criteria.....	2.A66–2.A67
Forming the Opinion.....	2.A68–2.A69
Preparing the Report .....	2.A70–2.A72
Report Content.....	2.A73–2.A91
Reference to the Practitioner’s Specialist .....	2.A92
Modified Opinions.....	2.A93–2.A100
Documentation.....	2.A101–2.A104
<b>Exhibit—Illustrative Examination Reports.....</b>	<b>2.A105</b>

### **Chapter 3—Review Engagements**

<b>Introduction</b> .....	3.1
Effective Date .....	3.2
<b>Objectives</b> .....	3.3
<b>Definition</b> .....	3.4
<b>Requirements</b>	
Conduct of a Review Engagement.....	3.5–3.7
Agreeing on the Terms of the Engagement.....	3.8–3.10
Obtaining a Written Assertion .....	3.11
Planning and Performing the Engagement.....	3.12–3.13
Materiality in Planning and Performing the Engagement.....	3.14
Procedures to be Performed.....	3.15–3.17
Analytical Procedures .....	3.18–3.19
Inquiries and Other Review Procedures.....	3.20–3.21
Fraud, Laws, and Regulations.....	3.22–3.23
Incorrect, Incomplete, or Otherwise Unsatisfactory Information .....	3.24–3.25
Using the Work of a Practitioner’s Specialist, Internal Auditors, or Other Practitioners.....	3.26
Evaluating the Results of Review Procedures .....	3.27–3.29
Considering Subsequent Events and Subsequently Discovered Facts.....	3.30–3.31
Written Representations.....	3.32–3.35
Requested Written Representations Not Provided or Not Reliable .....	3.36–3.37
Other Information .....	3.38
Description of Applicable Criteria.....	3.39
Forming the Conclusion.....	3.40
Preparing the Report .....	3.41–3.42
Report Content.....	3.43
Reference to the Practitioner’s Specialist .....	3.44–3.45
Modified Conclusions.....	3.46–3.51
Documentation.....	3.52–3.54
<b>Application Guidance</b>	
Conduct of a Review Engagement.....	3.A1
Agreeing on the Terms of the Engagement.....	3.A2–3.A4
Obtaining a Written Assertion .....	3.A5
Planning and Performing the Engagement.....	3.A6–3.A10
Materiality in Planning and Performing the Engagement.....	3.A11–3.A16
Procedures to be Performed.....	3.A17–3.A23
Analytical Procedures .....	3.A24–3.A26
Inquiries and Other Review Procedures.....	3.A27

Fraud, Laws, and Regulations.....	3.A28–3.A29
Evaluating the Results of Review Procedures .....	3.A30–3.A33
Considering Subsequent Events and Subsequently Discovered Facts.....	3.A34–3.A38
Written Representations.....	3.A39–3.A41
Other Information .....	3.A42–3.A43
Description of Applicable Criteria.....	3.A44–3.A45
Forming the Conclusion.....	3.A46–3.A47
Preparing the Report .....	3.A48–3.A50
Report Content.....	3.A51–3.A64
Reference to the Practitioner’s Specialist .....	3.A65
Modified Conclusions.....	3.A66–3.A68
Documentation.....	3.A69–3.A72
<b>Exhibit—Illustrative Review Reports .....</b>	<b>3.A73</b>
<b>Supplement—Comparison of Requirements for Examination and Review Engagements in the Proposed Statement on Standards for Attestation Engagements <i>Attestation Standards: Clarification and Recodification</i> .....</b>	<b>3.A74</b>

**Chapter 4—Agreed-Upon Procedures Engagements**

<b>Introduction.....</b>	<b>4.1–4.4</b>
Effective Date .....	4.5
<b>Objectives.....</b>	<b>4.6</b>
<b>Definition .....</b>	<b>4.7</b>
<b>Requirements</b>	
Conduct of an Agreed-Upon Procedures Engagement .....	4.8
Conditions for Engagement Performance .....	4.9–4.10
Agreeing on the Terms of the Engagement .....	4.11–4.12
Procedures to be Performed.....	4.13–4.15
Using the Work of a Practitioner’s Specialist, Internal Auditors, Other Personnel, or Other Practitioners .....	4.16–4.18
Findings .....	4.19–4.22
Written Representations.....	4.23–4.24
Report Content.....	4.25
Restrictions on the Performance of Procedures .....	4.26
Adding Specified Parties (Nonparticipant Parties) .....	4.27
Knowledge of Matters Outside Agreed-Upon Procedures.....	4.30
Documentation.....	4.31
<b>Application Guidance</b>	
Objectives .....	4.A1–4.A2
Conduct of an Agreed-Upon Procedures Engagement .....	4.A3
Conditions for Engagement Performance .....	4.A4
Agreeing on the Terms of the Engagement .....	4.A5–4.A9
Procedures to be Performed.....	4.A10–4.A12
Using the Work of a Practitioner’s Specialist, Internal Auditors, Other Personnel, or Other Practitioners .....	4.A13–4.A18
Findings .....	4.A19–4.A22
Written Representations.....	4.A23–4.A24
Report Content.....	4.A25–4.A29
Adding Specified Parties (Nonparticipant Parties) .....	4.A30
Knowledge of Matters Outside Agreed-Upon Procedures.....	4.A31–4.A32
<b>Exhibit—Illustrative Agreed-Upon Procedures Reports .....</b>	<b>4.A33</b>

# **PROPOSED STATEMENT ON STANDARDS FOR ATTESTATION ENGAGEMENTS** *Attestation Standards: Clarification and Recodification*

## **Preface to the Attestation Standards**

The Statements on Standards for Attestation Engagements (SSAEs), which are also known as the attestation standards, establish requirements and provide guidance for performing and reporting on examination, review, and agreed-upon procedures engagements (attestation engagements) that address subject matter other than historical financial statements, for example, a schedule of investment returns, the effectiveness of an entity's controls over the security of a system, or a statement of greenhouse gas emissions.

The SSAEs apply only to attestation engagements performed under the SSAEs. They are issued under Rule 202, *Compliance With Standards* (AICPA, *Professional Standards*, ET sec. 202 par. .01), of the Code of Professional Conduct, which requires an AICPA member who performs an attestation engagement to comply with such pronouncements. The attestation standards are developed and issued through a due process that includes deliberation in meetings open to the public, public exposure of proposed attestation standards, and a formal vote by an authorized standard-setting body.

This preface provides an overview of the attestation standards but does not establish requirements and does not carry any authority. It is intended to be helpful in understanding attestation engagements.

## **Structure of the SSAEs**

The attestation standards apply to three types of services—examination, review, and agreed-upon procedures—which can be applied to innumerable types of subject matter. The applicability of specific chapters of the attestation standards to each service depends on both the type of service provided and the subject matter on which the practitioner is engaged to report.

Chapter 1, “Concepts Common to All Attestation Engagements,” of the proposed SSAE contains concepts that are common to all attestation engagements. Chapters 2, “Examination Engagements;” 3, “Review Engagements;” and 4, “Agreed-Upon Procedures Engagements;” contain additional requirements and application guidance specific to examinations, reviews, or agreed-upon procedures engagements, respectively. Under the proposed restructured attestation standards, the applicable requirements and application guidance for any attestation engagement is contained in at least two chapters: chapter 1, the common concepts chapter, and either chapter 2, 3, or 4 depending on the type of service being provided. In addition, incremental performance and reporting requirements and application guidance unique to a specific subject matter, such as prospective financial information or compliance with laws and regulations, is contained in chapters 5–10. The applicable guidance for a subject-matter specific engagement is contained in three chapters of the attestation standards: the common concepts chapter; the examination, review, or agreed-upon procedures chapter, as applicable; and the subject-matter specific chapter.

## **Purpose of the Engagement and Premise on Which an Attestation Engagement Is Conducted**

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 the subject matter, as measured against criteria that are suitable and available. (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 report is intended to enhance the degree of confidence that intended users can place in the subject matter.

## **Responsibilities**

An engagement in accordance with the attestation standards is conducted on the premise that the responsible party has responsibility for

- the preparation and fair presentation of (a) the subject matter in conformity with the applicable criteria or (b) an assertion about the subject matter;
- measuring, evaluating, and, when applicable, presenting subject matter that is free from material misstatement, whether due to fraud or error; and
- providing the practitioner with
  - access to all information, such as records, documentation, and other matters of which the responsible party is aware, that is relevant to the measurement, evaluation, and presentation of the subject matter;
  - additional information that the practitioner may request from the responsible party for the purpose of the engagement; and
  - unrestricted access to persons within the entity from whom the practitioner determines it is necessary to obtain evidence.

Practitioners are responsible for complying with the performance and reporting requirements established in the attestation standards when they are engaged to issue, or do issue, an examination, review, or agreed-upon procedures report on subject matter or an assertion about subject matter that is the responsibility of another party. Although a practitioner may assist the responsible party in developing or presenting the subject matter, the responsible party remains responsible for its measurement, evaluation, and presentation.

## **Performance**

In all services provided under the attestation standards, practitioners are responsible for

- having the appropriate competence and capabilities to perform the engagement,
- complying with relevant ethical requirements,
- maintaining professional skepticism, and
- exercising professional judgment throughout the planning and performance of the engagement.

To express an opinion in an examination, the practitioner obtains reasonable assurance about whether the subject matter, or an assertion about the subject matter, is free from material misstatement, whether due to fraud or error. To obtain reasonable assurance, which is a high, but not absolute, level of assurance, the practitioner

- plans the work and properly supervises any assistants.
- identifies and assesses the risks of material misstatement, whether due to fraud or error, based on an understanding of the subject matter, its measurement or evaluation, the criteria, and other engagement circumstances.
- obtains sufficient appropriate evidence about whether material misstatements exist by designing and implementing appropriate responses to the assessed risks. Examination procedures may involve inspection, observation, analysis, inquiry, reperformance, recalculation, or confirmation with outside parties.

To express a conclusion in a review, the practitioner obtains limited assurance about whether the subject matter, or an assertion about the subject matter, is free from material misstatement, whether due to fraud or error. In a review, the nature and extent of the procedures are substantially less than in an examination. To obtain limited assurance in a review, the practitioner

- plans the work and properly supervises any assistants.
- focuses procedures in those areas in which the practitioner believes increased risks of misstatements exist, whether due to fraud or error, based on the practitioner's understanding of the subject matter, its measurement or evaluation, the criteria, and other engagement circumstances.
- obtains review evidence, through the application of inquiry and analytical procedures or other procedures as appropriate, to obtain limited assurance that no material modifications should be made to the subject matter in order for it to be in conformity with the criteria.

To report on the application of agreed-upon procedures, the practitioner applies procedures determined by the specified parties who are the intended users of the practitioner's report and who are responsible for the sufficiency of the procedures for their purposes. As a result of the engagement, the practitioner reports on the results of the engagement but does not provide an opinion or conclusion on the subject matter or assertion. In an agreed-upon procedures engagement, the practitioner

- plans the work and properly supervises any assistants.
- applies the procedures agreed to by the specified parties and reports on their results.

## **Reporting**

Based on evidence obtained, the practitioner expresses, in the form of a written report, the practitioner's opinion, conclusion, or findings. In the case of an examination, a report provides an opinion about whether the subject matter, as measured against the criteria, is free from material misstatement (or whether the assertion about the subject matter is fairly stated) in all material respects. In a review, the report expresses a conclusion about whether based on the

limited procedures the practitioner is aware of any material modification that should be made to the subject matter for it to be in conformity with the criteria or the assertion in order for it to be fairly stated. In an agreed-upon procedures report, the practitioner describes the specified procedures that were applied to the subject matter and the results of their application.

**Chapter 1—Concepts Common to All Attestation Engagements**

Requirements	Application Guidance
<p><b>Introduction</b></p> <p><b>1.1</b> This chapter of the proposed Statement on Standards for Attestation Engagements (SSAE) applies to engagements in which a CPA in the practice of public accounting is engaged to issue, or does issue, an examination, review, or agreed-upon procedures report on subject matter or an assertion about subject matter (hereinafter referred to as <i>assertion</i>) that is the responsibility of another party. The SSAEs are also commonly referred to as the attestation standards. (Ref: par. 1.A1)</p> <p><b>1.2</b> In an attestation engagement, a party other than the practitioner makes an assertion about whether the subject matter is measured or evaluated in conformity with suitable criteria. Chapter 2, “Examination Engagements,”<sup>1</sup> and chapter 3, “Review Engagements,”<sup>2</sup> of this proposed SSAE require the practitioner to obtain such an assertion in writing when providing an examination or review service. (Ref: par. 1.A1)</p>	<p><b>Introduction</b></p> <p><b>1.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. (Ref: par. 1.1–1.2)</p>
<p><b>1.3</b> This chapter is not applicable to professional services for which the AICPA has established other professional standards, for example, services performed in accordance with</p> <ul style="list-style-type: none"> <li>a. Statements on Auditing Standards (SASs),</li> <li>b. Statements on Standards for Accounting and Review Services, or</li> <li>c. Statements on Standards for Tax Services.</li> </ul> <p>(Ref: par. 1.A2)</p>	<p><b>1.A2</b> The attestation standards do not apply to litigation services that involve pending or potential legal or regulatory proceedings before a trier of fact when the practitioner has not been engaged to issue and does not issue an examination, review, or agreed-upon procedures report on subject matter or an assertion that is the responsibility of another party and any of the following circumstances exist:</p> <ul style="list-style-type: none"> <li>a. The services comprise being an expert witness.</li> <li>b. The service comprises being a trier of fact or acting on behalf of one.</li> <li>c. The practitioner’s work under the rules of the proceedings is</li> </ul>

<sup>1</sup> Paragraph 2.8.

<sup>2</sup> Paragraph 3.11.

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
	<p>subject to detailed analysis and challenge by each party to the dispute.</p> <p><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. (Ref: par. 1.3)</p>
<p><b>1.4</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>Relationship to Other Pronouncements</b></p> <p><b>1.5</b> Rule 202, <i>Compliance With Standards</i> (AICPA, <i>Professional Standards</i>, ET sec. 202 par. .01), of the Code of Professional Conduct requires members who perform professional services to comply with standards promulgated by bodies designated by the Council of the AICPA.</p>	<p><b>Relationship to Other Pronouncements</b></p>

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p><b>The Relationship of Attestation Standards to Quality Control Standards</b></p> <p><b>1.6</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 (AICPA, Professional Standards)</i>,<sup>3</sup> the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that</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. reports issued by the firm are appropriate in the circumstances. (Ref: par. 1.A3)</li> </ul> <p><b>1.7</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>	<p><b>The Relationship of Attestation Standards to Quality Control Standards</b></p> <p><b>1.A3</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. (Ref: par. 1.6)</p>
<p><b>Effective Date</b></p> <p><b>1.8</b> This chapter of this proposed SSAE is effective for attestation engagements for which the subject matter or assertion is as of or for a period ending on or after [date].</p>	
<p><b>Objectives</b></p> <p><b>1.9</b> In conducting an attestation engagement, the overall objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. apply the requirements relevant to the attestation engagement;</li> </ul>	

<sup>3</sup> Paragraph .12 of QC section 10, *A Firm’s System of Quality Control (AICPA, Professional Standards)*.

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p><i>b.</i> report on the subject matter or assertion and communicate as required by the applicable chapter of the attestation standards, in accordance with the results of the practitioner’s procedures; and</p> <p><i>c.</i> implement quality control procedures at the engagement level that provide the practitioner with reasonable assurance that the attestation engagement complies with professional standards and applicable legal and regulatory requirements.</p>	
<p><b>Definitions</b></p> <p><b>1.10</b> For purposes of the attestation standards, unless indicated to the contrary, the following terms have the meanings attributed as follows:</p> <p><i>a.</i> <b>Assertion.</b> Any declaration or set of declarations about whether the subject matter is based on or in conformity with the criteria.</p> <p><i>b.</i> <b>Attestation engagement.</b> An examination, review, 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> <p style="padding-left: 20px;"><i>i.</i> <i>Examination engagement.</i> An attestation engagement in which the practitioner reduces attestation risk to an acceptably low level in the circumstances of the engagement as the basis for the practitioner’s opinion. In an examination engagement, the practitioner obtains reasonable assurance, which is a high, but not absolute, level of assurance, about the measurement or evaluation of subject matter against criteria. The goal of the practitioner is to obtain sufficient appropriate evidence in order to express an opinion about whether the subject matter is in conformity with the criteria or the assertion is fairly stated.</p> <p style="padding-left: 20px;"><i>ii.</i> <i>Review engagement.</i> An attestation engagement in which attestation risk is greater than it is in an examination engagement. The goal of the practitioner in a review engagement is to obtain sufficient appropriate review evidence by performing limited procedures in order to express a conclusion about whether any material modifications should be made to (1) the subject matter in order for it</p>	<p><b>Definitions</b></p>

**Chapter 1—Concepts Common to All Attestation Engagements**

Requirements	Application Guidance
<p>be in conformity with the criteria or (2) the assertion in order for it to be fairly stated. Because the practitioner obtains limited assurance in a review engagement, the types of procedures performed are less extensive than they are in an examination engagement and generally are limited to inquiries and analytical procedures.</p> <p>iii. <i>Agreed-upon procedures engagement.</i> An attestation engagement in which a practitioner performs specific procedures on subject matter or an assertion and reports the findings without providing an opinion or a conclusion on it. The parties to the engagement (<i>specified party</i>, as defined in paragraph 1.10[w]) agree upon and are responsible for the sufficiency of the procedures for their purposes.</p>	
<p>c. <b>Attestation risk.</b> In an examination or review engagement, the risk that the practitioner expresses an inappropriate opinion or conclusion, as applicable, when the subject matter or assertion is materially misstated. (Ref: par. 1.A4–1.A9)</p>	<p><b>1.A4</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. (Ref: par. 1.10[c])</p> <p><b>1.A5</b> In general, attestation risk can be represented by both of the following components, although not all of these components will necessarily be present or significant for all engagements:</p> <p>a. Risks that the practitioner does not directly influence, which consist of</p> <p>i. the susceptibility of the subject matter to a material misstatement before consideration of any related controls (inherent risk) and</p> <p>ii. the risk that a material misstatement that could occur in the subject matter will not be prevented, or detected and corrected, on a timely basis by the appropriate party(ies)’s internal control (control risk)</p> <p>b. Risk that the practitioner does directly influence, which consists of the risk that the procedures to be performed by the practitioner will not detect a material misstatement (detection risk) (Ref: par. 1.10 [c])</p> <p><b>1.A6</b> The degree to which each of these components of attestation risk is</p>

*Chapter 1—Concepts Common to All Attestation Engagements*

Requirements	Application Guidance
	<p>relevant to the engagement is affected by the engagement circumstances, in particular</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 about an entity’s performance than when it relates to information about the existence of a physical condition.)</li> <li>• the type of engagement being performed. (For example, in a review engagement, the practitioner may often decide to obtain evidence by means other than tests of controls in which case consideration of control risk may be less relevant than in an examination engagement on the same subject matter or assertion.) (Ref: par. 1.10[c])</li> </ul> <p><b>1.A7</b> The consideration of risks is a matter of professional judgment, rather than a matter capable of precise measurement. (Ref: par. 1.10[c])</p> <p><b>1.A8</b> Attestation risk is not applicable to an agreed-upon procedures engagement because in such engagements the design of the procedures is the responsibility of the specified parties, whereas the application of the procedures is the responsibility of the practitioner. (Ref: par. 1.10[c])</p> <p><b>1.A9</b> 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> </ul>

*Chapter 1—Concepts Common to All Attestation Engagements*

Requirements	Application Guidance
	<ul style="list-style-type: none"> <li>In some cases, the characteristics of the subject matter when evaluated or measured against the applicable criteria (Ref: par. 1.10[c])</li> </ul>
<p><i>d.</i> <b>Criteria.</b> The benchmarks used to measure or evaluate the subject matter including, when relevant, those for presentation and disclosure. The applicable criteria are the criteria used for the particular engagement. (Ref: par. 1.A10)</p>	<p><b>1.A10</b> Suitable criteria are required for reasonably consistent measurement or evaluation of subject matter within the context of professional judgment. Without the frame of reference provided by suitable criteria, any conclusion is open to individual interpretation and misunderstanding. The suitability of criteria is context-sensitive; that is, it is determined in the context of the engagement circumstances. Even for the same subject matter there can be different criteria, which will yield a different measurement or evaluation. For example, one responsible party might select the number of customer complaints resolved to the acknowledged satisfaction of the customer for the subject matter of customer satisfaction; another responsible party might select the number of repeat purchases in the three months following the initial purchase. The suitability of criteria is not affected by the level of assurance, that is, if criteria are unsuitable for an examination engagement, they are also unsuitable for a review engagement, and vice versa. (Ref: par. 1.10[d])</p>
<p><i>e.</i> <b>Engagement circumstances.</b> The broad context defining the particular engagement, which includes the terms of the engagement; whether it is an examination, review, or agreed-upon procedures engagement; the characteristics of the subject matter; the applicable 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><i>f.</i> <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 attestation report that is issued on behalf of the firm and who, when required, has the appropriate authority from a professional, legal, or regulatory body. Engagement partner, partner, and firm refer to their governmental equivalents when relevant.</p>	

*Chapter 1—Concepts Common to All Attestation Engagements*

Requirements	Application Guidance
<p><i>g.</i> <b>Engaging party.</b> The party(ies) that engages the practitioner to perform the attestation engagement. (Ref: par. 1.A11)</p>	<p><b>1.A11</b> The engaging party, depending on the circumstances, may be management or those charged with governance of the responsible party, a legislature, the intended users, or a different third party. (Ref: par. 1.10[g])</p>
<p><i>h.</i> <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 practitioner’s external specialist engaged by the firm or a network firm and internal auditors.</p> <p><i>i.</i> <b>Evidence.</b> Information used by the practitioner in arriving at the opinion, conclusion, or findings on which the practitioner’s attestation report is based. Evidence includes both information contained in relevant information systems, if any, and other information. For purposes of examination and review engagements:</p> <ul style="list-style-type: none"> <li><i>i.</i> Sufficiency of evidence is the measure of the quantity of evidence. The quantity of the evidence needed is affected by the risks of material misstatement and also by the quality of such evidence.</li> <li><i>ii.</i> Appropriateness of evidence is the measure of the quality of evidence; that is, its relevance and its reliability in providing support for the practitioner’s opinions or conclusions.</li> </ul> <p><i>j.</i> <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><i>k.</i> <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><i>l.</i> <b>General use.</b> Use of reports that are not restricted to specified parties.</p> <p><i>m.</i> <b>Misstatement.</b> A difference between the measurement or evaluation of the subject matter and the proper measurement or evaluation (including, when relevant, presentation and disclosure) of the subject matter against the applicable criteria. Misstatements can be intentional or unintentional and include omissions. In certain engagements, a misstatement may be referred to as a deviation, exception, or instance of noncompliance.</p>	

**Chapter 1—Concepts Common to All Attestation Engagements**

Requirements	Application Guidance
<p><i>n.</i> <b>Network firm.</b> A firm or other entity that belongs to a network, as defined in the AICPA Code of Professional Conduct.<sup>4</sup></p> <p><i>o.</i> <b>Other practitioners.</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 or another firm.</p> <p><i>p.</i> <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 a chapter of the attestation standards 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. Engagement partner and firm are to be read as referring to their governmental equivalents when relevant.</p> <p><i>q.</i> <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 sufficient appropriate 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. Partner and firm refer to their governmental equivalents when relevant.</p> <p><i>r.</i> <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 of action that are appropriate in the circumstances of the attestation engagement.</p> <p><i>s.</i> <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><i>t.</i> <b>Report release date.</b> The date on which the practitioner grants the engaging party permission to use the report.</p>	

<sup>4</sup> Paragraph .24 of ET section 92, *Definitions* (AICPA, *Professional Standards*).

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p><i>u.</i> <b>Responsible party.</b> The party(ies) responsible for the subject matter. If the nature of the subject matter is such that no such party exists, a party who has a reasonable basis for making a written assertion about the subject matter may be deemed to be the responsible party.</p> <p><i>v.</i> <b>Risk of material misstatement.</b> The risk that the subject matter is materially misstated or that the assertion is not presented fairly in all material respects.</p> <p><i>w.</i> <b>Specified party.</b> The intended user(s) to whom use of the practitioner’s written report is limited.</p> <p><i>x.</i> <b>Subject matter.</b> The phenomenon that is measured or evaluated by applying criteria.</p>	
<p><b>1.11</b> For the purposes of the attestation standards, references to appropriate party(ies) should be read hereafter as the <i>responsible party</i> or the <i>engaging party</i>, as appropriate. (Ref: par. 1.A12)</p>	<p><b>1.A12</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(s) with whom the practitioner is to interact regarding particular matters. For example, an entity may be a segment of an organization and not a separate legal entity. In such cases, identifying the appropriate management personnel or those charged with governance with whom to communicate may require the exercise of professional judgment. (Ref: par. 1.11)</p>
<p><b>Requirements</b></p>	
<p><b>Conduct of an Attestation Engagement in Accordance With the Attestation Standards</b></p> <p><i>Complying With Standards That Are Relevant to the Engagement</i></p> <p><b>1.12</b> In order to represent compliance with the attestation standards, the practitioner should comply with</p> <ul style="list-style-type: none"> <li>• this chapter of this proposed SSAE;</li> <li>• chapters 2, 3, or 4, “Agreed-Upon Procedures Engagements,” of this proposed SSAE as applicable; and</li> <li>• any subject-matter specific chapter of the attestation standards relevant to the engagement when the chapter is in effect and the circumstances addressed by</li> </ul>	<p><b>Conduct of an Attestation Engagement in Accordance With the Attestation Standards</b></p>

*Chapter 1—Concepts Common to All Attestation Engagements*

<b>Requirements</b>	<b>Application Guidance</b>
<p>the chapter exist.</p> <p><b>1.13</b> The practitioner should not represent compliance with this or any other chapter of the attestation standards unless the practitioner has complied with the requirements of this chapter and all other chapters relevant to the engagement.</p>	
<p><b>1.14</b> Reports issued by a practitioner in connection with other professional standards should be written to be clearly distinguishable from and not confused with attestation reports. (Ref: par. 1.A13)</p>	<p><b>1.A13</b> A 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 an examination, review, or agreed-upon procedures attestation report is an example of a report that is not clearly distinguishable from, and could be confused with, an attestation report. (Ref: par. 1.14)</p>
<p><i>Text of an SSAE</i></p> <p><b>1.15</b> The practitioner should have an understanding of the entire text of a chapter of the attestation standards, including its application and other explanatory material, to understand its objectives and to apply its requirements properly. (Ref: par. 1.A14–1.A19)</p>	<p><i>Text of an SSAE</i></p> <p><b>1.A14</b> The chapters of the attestation standards 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 chapter, and definitions. (Ref: par. 1.15)</p> <p><b>1.A15</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 chapter, including how the chapter relates to other chapters of the attestation standards</li> <li>• The subject matter of the chapter</li> <li>• The respective responsibilities of the practitioner and others regarding the subject matter of the chapter</li> <li>• The context in which the chapter is set (Ref: par. 1.15)</li> </ul> <p><b>1.A16</b> The application and other explanatory material provides further explanation of the requirements of a chapter of the attestation standards and guidance for carrying them out. In particular, it may</p> <p><i>a.</i> explain more precisely what a requirement means or is intended to</p>

**Chapter 1—Concepts Common to All Attestation Engagements**

Requirements	Application Guidance
	<p align="center">cover and</p> <p align="center"><i>b.</i> include examples of procedures that may be appropriate in the circumstances.</p> <p>Although such guidance does not in itself impose a requirement, it may explain the proper application of the requirements of a chapter. The application and other explanatory material may also provide background information on matters addressed in a chapter. They do not, however, limit or reduce the responsibility of the practitioner to apply and comply with the requirements in applicable chapters of the attestation standards. (Ref: par. 1.15)</p> <p><b>1.A17</b> The practitioner is required by paragraph 1.15 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 chapter. The words <i>may</i>, <i>might</i>, and <i>could</i> are used to describe these actions and procedures. (Ref: par. 1.15)</p> <p><b>1.A18</b> A chapter of the attestation standards may include, in a separate section under the heading “Definition(s),” a description of the meanings attributed to certain terms for purposes of the chapters. These are provided to assist in the consistent application and interpretation of the chapter, and they 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 chapters. (Ref: par. 1.15)</p> <p><b>1.A19</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 chapter of the attestation standards or within the title and introduction of the appendix itself. (Ref: par. 1.15)</p>
<p><b>Complying With Relevant Requirements</b></p> <p><b>1.16</b> Subject to paragraph 1.20, the practitioner should comply with each requirement of the attestation standards including any relevant subject-matter specific chapters unless in the circumstances of the engagement the entire chapter</p>	<p><b>Complying With Relevant Requirements</b></p>

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
is not relevant or the requirement is not relevant because it is conditional and the condition does not exist.	
<b>1.17</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 chapters of the attestation standards. (Ref: par. 1.A20)	<b>1.A20</b> In certain attestation engagements, the practitioner also may be required to comply with other requirements in addition to the attestation standards. The attestation standards do not override law or regulation that governs the attestation engagement. In the event that such law or regulation differs from attestation standards, an attestation engagement conducted only in accordance with law or regulation will not necessarily comply with the attestation standards. (Ref: par. 1.17)
<b>Attestation Report Prescribed by Law or Regulation</b> <b>1.18</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 report. (Ref: par. 1.A21)	<b>Attestation Report Prescribed by Law or Regulation</b> <b>1.A21</b> Some report forms can be made acceptable by inserting additional wording to include the elements required by chapters 2, <sup>5</sup> 3, <sup>6</sup> and 4. <sup>7</sup> Some report forms required by law or regulation can be made acceptable only by complete revision because the prescribed language of the 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. (Ref: par. 1.18)
<b>Defining Professional Requirements in the Attestation Standards</b> <b>1.19</b> The attestation standards use the following two categories of professional requirements, identified by specific terms, to describe the degree of responsibility it imposes on practitioners:  <ul style="list-style-type: none"> <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</li> </ul>	

<sup>5</sup> Paragraph 2.52.

<sup>6</sup> Paragraph 3.43.

<sup>7</sup> Paragraph 4.25.

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>presumptively mandatory requirement in all cases in which such a requirement is relevant except in rare circumstances discussed in paragraph 1.20. The attestation standards use the word <i>should</i> to indicate a presumptively mandatory requirement.</p>	
<p><b>Departure From a Relevant Requirement</b></p> <p><b>1.20</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. 1.A22)</p>	<p><b>Departure From a Relevant Requirement</b></p> <p><b>1.A22</b> See paragraph 1.A39 for documentation requirements when the circumstances described in paragraph 1.20 occur. (Ref: par. 1.20)</p>
<p><b>Interpretive Publications</b></p> <p><b>1.21</b> The practitioner should consider applicable interpretive publications in planning and performing the attestation engagement. (Ref: par. 1.A23)</p>	<p><b>Interpretive Publications</b></p> <p><b>1.A23</b> Interpretive publications are not attestation standards. Interpretive publications are recommendations on the application of the attestation standards in specific circumstances, including engagements for entities in specialized industries. An interpretive publication is issued under the authority of the relevant senior technical committee after all members of the committee have been provided an opportunity to consider and comment on whether the proposed interpretive publication is consistent with the attestation standards. Examples of interpretive publications are interpretations of the attestation standards, exhibits to the attestation standards, attestation guidance included in AICPA Guides and attestation Statements of Position (SOPs). Interpretations of the attestation standards and exhibits are included within the chapters of the attestation standards. AICPA Guides and attestation SOPs are listed in the appendix to this chapter entitled, “AICPA Guides and Statements of Position.”. (Ref: par. 1.21)</p>
<p><b>Other Attestation Publications</b></p> <p><b>1.22</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</p>	<p><b>Other Attestation Publications</b></p> <p><b>1.A24</b> Other attestation publications are publications other than interpretive publications. These include AICPA attestation publications not defined as interpretive publications; attestation</p>

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>attestation engagement. (Ref: par. 1.A24–1.A26)</p>	<p>articles in the <i>Journal of Accountancy</i> and other professional journals; continuing professional education programs and other instruction materials, textbooks, guidebooks, attestation programs and checklists; and other attestation publications from state CPA societies, other organizations, and individuals. Other 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. (Ref: par. 1.22)</p> <p><b>1.A25</b> Although the practitioner determines the relevance of these publications in accordance with paragraph 1.22, 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 an appendix to this chapter entitled “Other Attestation Publications.” (Ref: par. 1.22)</p> <p><b>1.A26</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. (Ref: par. 1.22)</p>
<p><b>Acceptance and Continuance</b></p> <p><b>1.23</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.</p>	
<p><b>Preconditions for an Attestation Engagement</b></p> <p><b>1.24</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. When the practitioner is not independent but is required by</p>	<p><b>Preconditions for an Attestation Engagement</b></p> <p><b>1.A27</b> Interpretation No. 101-11, “Modified Application of Rule 101 for Engagements Performed in Accordance With Statements on Standards for Attestation Engagements,” of Rule 101, <i>Independence</i> (AICPA, <i>Professional Standards</i>, ET sec. 101 par. .13), establishes special</p>

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>law or regulation to report on the subject matter or an 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 provide the reasons for the lack of independence, the practitioner should include all the reasons therefor. A practitioner who is not independent is precluded from issuing a report under the attestation standards, unless required to by law or regulation. (Ref: par. 1.A27)</p>	<p>requirements for independence for services provided under the attestation standards. In addition, Interpretation No. 101-11 refers the practitioner to ET section 100-1, <i>Conceptual Framework for AICPA Independence Standards</i> (AICPA, <i>Professional Standards</i>), for threats to independence not specifically detailed elsewhere, for example, when the practitioner has an interest in the subject matter. (Ref: par.1.24)</p>
<p><b>1.25</b> In order to accept an attestation engagement, the practitioner should determine both of the following:</p> <p><i>a.</i> The responsible party is a party other than the practitioner and takes responsibility for the subject matter. (Ref: par. 1.A28)</p>	<p><b>1.A28</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. (Ref: par. 1.25[a])</p>
<p><i>b.</i> The engagement exhibits all of the following characteristics:</p> <p><i>i.</i> The subject matter is appropriate. (Ref: par. 1.A29–1.A34)</p>	<p><b>1.A29</b> An element of the appropriateness of subject matter is the existence of a reasonable basis for measuring or evaluating the subject matter. The responsible party in an attestation engagement is responsible for having a reasonable basis for measuring or evaluating the subject matter. What constitutes a reasonable basis will depend on the nature of the subject matter and other engagement circumstances. In some cases, a formal process with extensive internal controls may be needed to provide the responsible party with a reasonable basis for concluding that the measurement or evaluation of the subject matter is free from material misstatement. The fact that the practitioner will report on the subject matter or assertion is not a substitute for the responsible party’s own processes to have a reasonable basis for measuring or evaluating the subject matter or assertion. (Ref: par. 1.25[b][i])</p> <p><b>1.A30</b> An appropriate subject matter</p> <p><i>a.</i> is identifiable and capable of consistent measurement or evaluation against the applicable criteria and</p>

*Chapter 1—Concepts Common to All Attestation Engagements*

<b>Requirements</b>	<b>Application Guidance</b>
	<p><i>b.</i> can be subjected to procedures for obtaining sufficient appropriate evidence to support an opinion, conclusion, or findings, as appropriate. (Ref: par. 1.25[b][i])</p> <p><b>1.A31</b> If the subject matter is not appropriate for an examination engagement, it also is not appropriate for a review engagement. (Ref: par. 1.25[b][i])</p> <p><b>1.A32</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. Such characteristics affect the following:</p> <p><i>a.</i> Precision with which the subject matter can be measured or evaluated against criteria</p> <p><i>b.</i> The persuasiveness of available evidence (Ref: par. 1.25[b][i])</p> <p><b>1.A33</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. (Ref: par. 1.25[b][i])</p> <p><b>1.A34</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 report on 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 entity is not reporting on more significant programs with less favorable outcomes. In such cases, in determining whether the engagement exhibits the characteristic of having an appropriate subject matter, it may be appropriate for the practitioner to consider whether information about the aspect on which the practitioner is asked to report is likely to meet the information needs of intended users. (Ref: par. 1.25[b][i])</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.</p>	<p><b>1.A35</b> Suitable criteria exhibit all of the following characteristics:</p>

*Chapter 1—Concepts Common to All Attestation Engagements*

Requirements	Application Guidance
1.A35–1.A45)	<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 sufficiently complete so that those relevant factors that would alter an opinion, conclusion, or findings about subject matter are not omitted.</li> </ul> <p>The relative importance of each characteristic to a particular engagement is a matter of professional judgment. (Ref: par. 1.25[b][ii])</p> <p><b>1.A36</b> Criteria can be developed in a variety of ways, for example, they may be</p> <ul style="list-style-type: none"> <li>a. embodied in laws or regulations.</li> <li>b. issued by authorized or recognized bodies of experts that follow a transparent due process.</li> <li>c. developed collectively by a group that does not follow a transparent due process.</li> <li>d. published in scholarly journals or books.</li> <li>e. developed for sale on a proprietary basis.</li> <li>f. 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. (Ref: par. 1.25[b][ii])</p> <p><b>1.A37</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</p>

*Chapter 1—Concepts Common to All Attestation Engagements*

Requirements	Application Guidance
	<p>definition, considered to be suitable. (Ref: par. 1.25[b][ii])</p> <p><b>1.A38</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. (Ref: par. 1.25[b][ii])</p> <p><b>1.A39</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 1.A35. (Ref: par. 1.25[b][ii])</p> <p><b>1.A40</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. (Ref: par. 1.25[b][ii])</p> <p><b>1.A41</b> Some criteria may be appropriate 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 instance, criteria set forth in a lease agreement for override payments may be appropriate 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. (Ref: par. 1.25[b][ii])</p> <p><b>1.A42</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. (Ref: par. 1.25[b][ii])</p> <p><b>1.A43</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 report that is misleading</p>

*Chapter 1—Concepts Common to All Attestation Engagements*

Requirements	Application Guidance
	<p>to the intended users. It is desirable for the intended users or the engaging party to acknowledge that specifically developed criteria are suitable for the intended users’ purposes. The absence of such an acknowledgement may affect what is to be done to assess the suitability of the applicable criteria and the information provided about the criteria in the practitioner’s report. (Ref: par. 1.25[b][ii])</p> <p><b>1.A44</b> Criteria need to be available to the intended users to allow them to understand how the subject matter has been measured or evaluated. Criteria are made available to the intended users in one or more of the following ways:</p> <ul style="list-style-type: none"> <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. Available only to specified parties (for example, terms of a contract or criteria issued by an industry association that are available only to those in the industry) (Ref: par. 1.25[b][ii])</li> </ul> <p><b>1.A45</b> When criteria are available only to specific intended users, chapters 2<sup>8</sup> and 3<sup>9</sup> of this proposed SSAE require a statement restricting the use of the report. (Ref: par. 1.25[b][ii])</p>
<p>iii. The practitioner will have access to the evidence needed to arrive at the practitioner’s opinion, conclusion, or findings, including</p> <p>(1) access to all information of which the responsible party is aware that is relevant to the measurement, evaluation, or disclosure of the subject</p>	<p><b>Access to Evidence</b></p> <p><b>1.A46</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 complete the engagement. The nature of</p>

<sup>8</sup> Paragraph 2.52(i).

<sup>9</sup> Paragraph 3.43(h).

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>matter such as records and documentation;</p> <p>(2) access to additional information that the practitioner may request from the responsible party for the purpose of the engagement; and</p> <p>(3) unrestricted access to persons within the appropriate party(ies) from whom the practitioner determines it necessary to obtain evidence. (Ref: par. 1.A46–1.A47)</p>	<p>that relationship may therefore be a relevant consideration when determining whether or not to accept the engagement. (Ref: par. 1.25[b][iii])</p> <p><b>1.A47</b> The quantity or quality of available evidence is affected by both of the following:</p> <p><i>a.</i> 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><i>b.</i> Other circumstances, such as when evidence that could reasonably be expected to exist is not available because of, for example, the timing of the practitioner’s appointment, an entity’s document retention policy, inadequate information systems, or a restriction imposed by the responsible party (Ref: par. 1.25[b][iii])</p>
<p>iv. The practitioner’s opinion, conclusion, or findings, in the form appropriate to the engagement, is to be contained in a written report.</p>	
<p><b>1.26</b> If the preconditions in paragraphs 1.24–1.25 are not present, the practitioner should discuss the matter with the engaging party to attempt to resolve the issue.</p> <p><b>1.27</b> The practitioner should accept an attestation engagement only when</p> <p><i>a.</i> the practitioner has no reason to believe that relevant ethical requirements, including independence, will not be satisfied;</p> <p><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 1.30[b].); and</p> <p><i>c.</i> the basis upon which the engagement is to be performed has been agreed through</p> <p><i>i.</i> establishing that the preconditions for an attestation engagement are present (See also paragraphs 1.24–1.25.) and</p> <p><i>ii.</i> confirming that there is a common understanding between the practitioner and the engaging party of the terms of the engagement,</p>	

*Chapter 1—Concepts Common to All Attestation Engagements*

<b>Requirements</b>	<b>Application Guidance</b>
<p>including the practitioner’s reporting responsibilities.</p> <p><b>1.28</b> 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(ies) and should determine</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; and</li> <li>c. whether, and if so how, to communicate the matter in the attestation report.</li> </ul>	
<p><b>Acceptance of a Change in the Terms of the Engagement</b></p> <p><b>1.29</b> The practitioner should not agree to a change in the terms of the engagement when no reasonable justification for doing so exists. If such a change is made, the practitioner should not disregard evidence that was obtained prior to the change. (Ref: par. 1.A48)</p>	<p><b>Acceptance of a Change in the Terms of the Engagement</b></p> <p><b>1.A48</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 review engagement. (Ref: par. 1.29)</p>
<p><b>Quality Control</b></p> <p><i>Assignment of the Engagement Team and the Practitioner’s Specialists</i></p> <p><b>1.30</b> The engagement partner should</p> <ul style="list-style-type: none"> <li>a. be satisfied that the engagement team has a sufficient understanding of the subject matter. (Ref: par. 1.A49)</li> <li>b. be satisfied that the engagement team and any practitioner’s external specialists collectively have the appropriate competence and capabilities to <ul style="list-style-type: none"> <li>i. perform the engagement in accordance with professional standards and applicable legal and regulatory requirements and</li> <li>ii. enable an attestation report that is appropriate in the circumstances to be issued.</li> </ul> </li> </ul>	<p><b>Quality Control</b></p> <p><i>Assignment of the Engagement Team and the Practitioner’s Specialists</i></p> <p><b>1.A49</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. (Ref: par. 1.30[a])</p>
<ul style="list-style-type: none"> <li>c. to an extent that is sufficient to accept responsibility for the opinion, conclusion, or findings on the subject matter or assertion, be satisfied that the</li> </ul>	<p><b>1.A50</b> Some of the attestation work may be performed by a multidisciplinary team that includes one or more practitioner’s</p>

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>engagement team will be able to be involved in the work of</p> <ul style="list-style-type: none"> <li>i. a practitioner’s specialist when the work of that specialist is to be used and (Ref: par. 1.A50–1.A51)</li> <li>ii. other practitioners when the work of that practitioner is to be used.</li> <li>d. inform the engagement team of its responsibilities, including the objectives of the procedures that they are to perform and matters that may affect the nature, timing, and extent of such procedures.</li> <li>e. direct engagement team members to bring to the engagement partner’s attention significant questions raised during the engagement so that their significance may be assessed.</li> </ul>	<p>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. (Ref: par. 1.30[c][i])</p> <p><b>1.A51</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 chapter 2<sup>10</sup> in an examination or review engagement at the engagement acceptance or continuance stage. (Ref: par. 1.31[c][i])</p>
<p><b>Leadership Responsibilities for Quality in Attestation Engagements</b></p> <p><b>1.31</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. Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements</li> <li>b. Directing, supervising, planning, and performing the attestation engagement in compliance with professional standards, applicable legal and regulatory requirements, and the firm’s policies and procedures</li> </ul>	
<ul style="list-style-type: none"> <li>c. Performing reviews in accordance with the firm’s review policies and procedures and reviewing the engagement documentation on or before the date of the attestation report (Ref: par. 1.A52)</li> <li>d. Maintaining appropriate engagement documentation to provide evidence of achievement of the practitioner’s objectives and that the engagement was performed in accordance with relevant attestation standards and relevant legal and regulatory requirements</li> <li>e. Ensuring that the engagement team undertakes appropriate consultation on</li> </ul>	<p><b>1.A52</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. (Ref: par. 1.31[c])</p>

<sup>10</sup> Paragraph 2.33. Paragraph 3.26 requires the practitioner to apply the requirements of paragraph 2.33 as appropriate for a review engagement when the practitioner expects to use the work of a practitioner’s specialist in a review engagement.

*Chapter 1—Concepts Common to All Attestation Engagements*

<b>Requirements</b>	<b>Application Guidance</b>
difficult or contentious matters	
<p><b>Other Communication Responsibilities</b></p> <p><b>1.32</b> The practitioner should consider whether, pursuant to the terms of the engagement and other engagement circumstances, any matter has come to the attention of the practitioner that should be communicated to the responsible party, the engaging party, or others. (Ref: par. 1.A53)</p>	<p><b>Other Communication Responsibilities</b></p> <p><b>1.A53</b> Matters that may be appropriate to communicate to the responsible party or, if different, the engaging party or others include fraud or suspected fraud; noncompliance with laws and regulations; deficiencies in internal control; uncorrected errors; or bias in the measurement, evaluation, or disclosure of the subject matter. (Ref: par. 1.32)</p>
<p><b>Documentation</b></p> <p><b>1.33</b> The practitioner should prepare engagement documentation on a timely basis. (Ref: par. 1.A54)</p> <p><b>1.34</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. 1.A55)</p> <p><b>1.35</b> After the assembly of the final engagement file has been completed, the practitioner should not delete or discard documentation of any nature before the end of its retention period. (Ref: par. 1.A55)</p>	<p><b>Documentation</b></p> <p><b>1.A54</b> Documentation prepared at the time such work is performed or shortly thereafter is likely to be more accurate than documentation prepared at a much later time. (Ref: par. 1.33)</p> <p><b>1.A55</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> <li>• Documenting evidence that the practitioner has obtained, discussed, and agreed with the relevant members of the engagement team before the date of the attestation report (Ref: par. 1.34–1.35)</li> </ul>
<p><b>1.36</b> Attestation 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 attestation documentation for a period of time sufficient to meet the needs of the practitioner and to satisfy any</p>	

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
applicable legal or regulatory requirements for records retention.	
<b>1.37</b> Because attestation documentation often contains confidential information, the practitioner should adopt reasonable procedures to maintain the confidentiality of that information.	
<b>1.38</b> The practitioner also should adopt reasonable procedures to prevent unauthorized access to attestation documentation.	
<b>1.39</b> If, in rare circumstances, the practitioner judges it necessary to depart from a relevant presumptively mandatory requirement, the practitioner should document the justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the intent of that requirement. (See paragraph 1.20.)	
<p><b>Engagement Quality Control Review</b></p> <p><b>1.40</b> For those engagements, if any, for which the firm has determined that an engagement quality control review is required,</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 not release the attestation report until completion of the engagement quality control review and</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 practitioner’s 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 practitioner’s report</li> <li>iii. Reading selected engagement documentation relating to the significant judgments the engagement team made and the related conclusions it reached</li> <li>iv. Evaluation of the conclusions reached in formulating the practitioner’s</li> </ul> </li> </ul>	<p><b>Engagement Quality Control Review</b></p> <p><b>1.A56</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 conclusion 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 (Ref: par. 1.40)</li> </ul>

*Chapter 1—Concepts Common to All Attestation Engagements*

<b>Requirements</b>	<b>Application Guidance</b>
<p>report and consideration of whether the proposed practitioner’s report is appropriate (Ref: par. 1.A56)</p>	
<p><b>Professional Skepticism and Professional Judgment</b></p> <p><i>Professional Skepticism</i></p> <p><b>1.41</b> The practitioner should plan and perform an attestation engagement with professional skepticism. (Ref: par.1.A57–1.A59)</p>	<p><b>Professional Skepticism and Professional Judgment</b></p> <p><i>Professional Skepticism</i></p> <p><b>1.A57</b> Professional skepticism includes being alert to matters such as the following:</p> <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 chapters of the attestation standards (Ref: par. 1.41)</li> </ul> <p><b>1.A58</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 the light of the circumstances. (Ref: par. 1.41)</p> <p><b>1.A59</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. (Ref: par. 1.41)</p>
<p><i>Professional Judgment</i></p> <p><b>1.42</b> The practitioner should exercise professional judgment in planning and</p>	<p><i>Professional Judgment</i></p> <p><b>1.A60</b> Professional judgment is essential to the proper conduct of an attestation engagement. This is because interpretation of relevant</p>

**Chapter 1—Concepts Common to All Attestation Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>performing an attestation engagement. (Ref: par. 1.A60–1.A64)</p>	<p>ethical requirements and relevant chapters and the informed decisions required throughout the engagement cannot be made without the application of relevant knowledge and experience to the facts and circumstances. In particular, professional judgment is necessary regarding decisions about the following matters in examination and review engagements:</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 chapters 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 chapter and any relevant subject-matter specific chapters 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 (Ref: par. 1.42)</li> </ul> <p><b>1.A61</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.(Ref: par. 1.42)</p> <p><b>1.A62</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. (Ref: par. 1.42)</p>

*Chapter 1—Concepts Common to All Attestation Engagements*

<b>Requirements</b>	<b>Application Guidance</b>
	<p><b>1.A63</b> Professional judgment can be evaluated based on whether the judgment reached reflects a competent application of attestation 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. (Ref: par. 1.42)</p> <p><b>1.A64</b> The requirement to exercise professional judgment applies throughout the engagement. Professional judgment also needs to be appropriately documented as required by chapters 2<sup>11</sup> and 3 of this proposed SSAE.<sup>12</sup> (Ref: par. 1.42)</p>
<p><b>1.43</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>	

---

<sup>11</sup> Paragraph 2.61.

<sup>12</sup> Paragraph 3.52.

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
<p><b>Introduction</b></p> <p><b>2.1</b> This chapter contains performance and reporting requirements and application guidance for all examination engagements. The requirements and guidance in this chapter supplement the requirements and guidance in chapter 1, “Concepts Common to All Attestation Engagements,” of this proposed Statement on Standards for Attestation Engagements (SSAE). The SSAEs are also commonly referred to as the attestation standards.</p> <p><b>Effective Date</b></p> <p><b>2.2</b> This chapter is effective for examination engagements for which the subject matter or assertion is as of or for a period ending on or after <i>[date]</i>.</p> <p><b>Objectives</b></p> <p><b>2.3</b> In conducting an examination engagement, the objectives of the practitioner are to</p> <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; (Ref: par. 1.25 [b][ii] and par. 1.A35)</li> <li>b. express an opinion in a written report about whether the subject matter is in conformity with the criteria, or whether the assertion is fairly stated; and</li> <li>c. communicate further as required by relevant chapters of the attestation standards.</li> </ul>	
<p><b>Requirements</b></p> <p><b>Conduct of an Examination Engagement</b></p> <p><i>Complying With Requirements</i></p> <p><b>2.4</b> In performing an examination engagement, the practitioner should comply with this chapter, chapter 1 of this proposed SSAE, and any subject-matter specific chapters of the attestation standards that are relevant to the engagement. A subject-matter specific chapter is relevant to the engagement when it is in effect and the circumstances addressed by the chapter exist.</p>	
<p><b>Agreeing on the Terms of the Engagement</b></p> <p><b>2.5</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</p>	<p><b>Agreeing on the Terms of the Engagement</b></p> <p><b>2.A1</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</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
written agreement. (Ref: par. 2.A1)	engagement letter or contract will vary with the engagement circumstances. (Ref: par. 2.5)
<p><b>2.6</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. 2.A2)</li> <li>c. The responsibilities of the responsible party and the responsibilities of the engaging party, if different (Ref: par. 2.A3)</li> <li>d. A statement about the inherent limitations of an examination engagement (Ref: par. 2.A4)</li> <li>e. Identification of the applicable criteria for the measurement, evaluation, or disclosure of the subject matter</li> <li>f. An acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement</li> </ul> <p><b>2.7</b> The practitioner should assess whether circumstances require the terms of a preceding engagement need to be revised. 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 engagement, and the reminder should be documented. (Ref: par. 2.A5)</p>	<p><b>2.A2</b> A practitioner may further describe the responsibilities of the practitioner by adding the following items to the written agreement:</p> <ul style="list-style-type: none"> <li>a. Complying with the attestation standards</li> <li>b. Obtaining reasonable assurance about whether the subject matter as measured or evaluated against criteria is free from material misstatement</li> <li>c. Expressing an opinion in a written report about whether the subject matter is in conformity with, or based on, the applicable criteria or whether the assertion is fairly stated (Ref: par. 2.6[b])</li> </ul> <p><b>2.A3</b> When the responsible party is not the engaging party, the engagement letter or other written agreement regarding the terms of the engagement may include details about the responsibilities of the responsible party and those of the engaging party. (Ref: par. 2.6[c])</p> <p><b>2.A4</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 that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.” (Ref: par. 2.6[d])</p> <p><b>2.A5</b> Although an engagement may recur, each engagement is still considered a separate engagement. (Ref: par.2.7)</p>
<p><b>Obtaining a Written Assertion</b></p> <p><b>2.8</b> A practitioner may report on a written assertion about the subject matter or may report directly on the subject matter. In either case, the practitioner should obtain from the responsible party a written assertion about the measurement or evaluation of the subject matter against the applicable criteria. (Ref: par. 2.A6)</p>	<p><b>Obtaining a Written Assertion</b></p> <p><b>2.A6</b> Situations may arise in which the current responsible party was not present during some or all of the period referred to in the practitioner’s report. Such persons may assert that they are not in a position to provide a written assertion that covers the entire period because they were not in place during some or all of the period. This fact, however, does not diminish such persons’ responsibilities for the subject matter as a whole. Accordingly, the requirement for the practitioner to obtain a written assertion from the responsible party that covers the entire relevant period(s) still applies. (Ref: par. 2.8)</p>
<p><b>Planning and Performing the Engagement</b></p> <p><b>2.9</b> The practitioner should establish an overall engagement strategy that sets the scope, timing, and direction of the engagement and guides the development of</p>	<p><b>Planning and Performing the Engagement</b></p> <p><b>2.A7</b> Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner’s specialists in developing</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
<p>the engagement plan. (Ref: par. 2.A7–2.A10)</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 to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement in 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 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 the main 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 applicable 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 knowledge gained on other engagements performed by the engagement partner for the appropriate party(ies) is relevant</li> <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(ies) 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 and whether it is relevant to the engagement</li> <li>• The impact of using the internal audit function on the engagement (Ref: par. 2.9)</li> </ul> <p><b>2.A8</b> The practitioner may decide to discuss elements of planning with the</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	<p>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 in order not to compromise 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. (Ref: par. 2.9)</p> <p><b>2.A9</b> Planning is not a discrete phase, but rather a continual and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or evidence obtained, the practitioner may need to revise the overall strategy and engagement plan and, thereby, the resulting nature, timing, and extent of planned procedures. (Ref: par. 2.9)</p> <p><b>2.A10</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. Establishing the overall engagement strategy in such cases 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. For example, when engagements are similar from year to year, the practitioner may begin to develop an engagement strategy for the next period at the completion of the previous period, based on a review of the working papers noting issues identified in the engagement just completed. The practitioner also may update the strategy in the current period based on discussions with the responsible party. (Ref: par. 2.9)</p>
<p><b>2.10</b> In establishing the overall engagement strategy, the practitioner should</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</li> </ul>	

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>engagements performed by the engagement partner for the entity is relevant; and</p> <p><i>d.</i> ascertain the nature, timing, and extent of resources necessary to perform the engagement.</p>	
<p><b>2.11</b> The practitioner should develop a plan that includes a description of the following items:</p> <p><i>a.</i> The nature, timing, and extent of planned risk assessment procedures</p> <p><i>b.</i> The nature, timing, and extent of planned further procedures</p> <p><i>c.</i> Other planned procedures that are required to be carried out so that the engagement complies with the attestation standards</p>	
<p><b>2.12</b> The practitioner should apply planning, evidence-gathering, evidence-evaluation, and reporting skills and techniques as part of an iterative, systematic engagement process.</p>	
<p><b>Risk Assessment Procedures</b></p> <p><b>2.13</b> The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to design and perform procedures in order to achieve the objectives of the engagement. That understanding should include an understanding of internal control over the measurement, evaluation, or disclosure of the subject matter, when relevant to the subject matter, and other engagement circumstances as a basis for identifying and assessing risk. (Ref: par. 2.A11)</p>	<p><b>Risk Assessment Procedures</b></p> <p><b>2.A11</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</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; and</li> <li>• evaluating evidence, including the reasonableness of the written representations received by the practitioner. (Ref: par. 2.13)</li> </ul>
<p><b>Materiality in Planning and Performing the Engagement</b></p> <p><b>2.14</b> When establishing the overall engagement strategy, the practitioner</p>	<p><b>Materiality in Planning and Performing the Engagement</b></p> <p><b>2.A12</b> Materiality is considered in the context of qualitative factors and, when</p>

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>should consider materiality for the subject matter. (Ref: par. 2.A12–2.A18)</p>	<p>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. (Ref: par. 2.14)</p> <p><b>2.A13</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> <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 examined to appropriate levels of materiality and have an understanding of any materiality concepts included in the applicable 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> </ol> <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. (Ref: par. 2.14)</p> <p><b>2.A14</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</li> <li>• The characteristics of the presentation adopted for the subject matter when the applicable 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> <li>• Whether a misstatement affects compliance with laws or regulations</li> </ul>

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
	<ul style="list-style-type: none"> <li>• In the case of periodic reporting on a subject matter, the effect of an adjustment that affects past or current information about the subject matter or is likely to affect future information about the subject matter</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 (Ref: par. 2.14)</li> </ul> <p><b>2.A15</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). (Ref: par. 2.14)</li> </ul> <p><b>2.A16</b> Professional judgments about materiality are made in light of surrounding circumstances, but they are not affected by the type of engagement; that is, for the same intended users, materiality for an examination engagement is the same as it is for a review engagement because materiality is based on the information needs of intended users. (Ref: par. 2.14)</p> <p><b>2.A17</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 and involves the exercise of professional judgment. It is affected by the practitioner’s understanding of the subject matter and the responsible party, updated during the performance of the risk assessment procedures, and consideration of the nature and extent of misstatements identified in previous attestation engagements. (Ref: par. 2.14)</p> <p><b>2.A18</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</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	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 2.A12–2.A17. If the applicable criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference. (Ref: par. 2.14)
<b>2.15</b> The practitioner should revise materiality for the subject matter in the event of becoming aware of information during the engagement that would have caused the practitioner to have initially determined a different amount.	
<p><b>Identifying Risks of Material Misstatement</b></p> <p><b>2.16</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</p> <p><i>a.</i> are responsive to assessed risks of material misstatement and</p> <p><i>b.</i> allow the practitioner to obtain reasonable assurance about whether the subject matter is, in all material respects, in accordance with the applicable criteria. (Ref: par. 2.A19–2.A20)</p>	<p><b>Identifying Risks of Material Misstatement</b></p> <p><b>2.A19</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. (Ref: par. 2.16)</p> <p><b>2.A20</b> In some cases, a subject-matter specific chapter may include requirements that affect the nature, timing, and extent of procedures. For example, a subject-matter specific chapter may describe the nature or extent of particular procedures to be performed or the level of assurance expected to be obtained 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. (Ref: par. 2.16)</p>
<p><b>Responding to Assessed Risks</b></p> <p><b>2.17</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. 2.A21–2.A22)</p>	<p><b>Responding to Assessed Risks</b></p> <p><b>2.A21</b> Overall responses to address the assessed risks of material misstatement of the subject matter or assertion may include</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; and</li> <li>• making changes to the nature, timing, or extent of procedures (for example, performing procedures at period-end instead of at an interim</li> </ul>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	<p>date or modifying the nature of procedures to obtain more persuasive evidence). (Ref: par. 2.17)</p> <p><b>2.A22</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</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, and</li> <li>• increasing the number of locations to be included in the examination scope. (Ref: par. 2.17)</li> </ul>
<p><b>Further Procedures</b></p> <p><b>2.18</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.</p> <p><b>2.19</b> In designing and performing the further procedures in accordance with paragraph 2.18, the practitioner should</p> <ol style="list-style-type: none"> <li>a. consider the reasons for the assessment given to the risk of material misstatement, including             <ol 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; and</li> </ol> </li> <li>b. obtain more persuasive evidence the higher the practitioner’s assessment of risk.</li> </ol> <p><b>2.20</b> When designing and performing procedures, the practitioner should consider the relevance and reliability of the information to be used as</p>	

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
<p>evidence. If</p> <ul style="list-style-type: none"> <li>a. evidence obtained from one source is inconsistent with that obtained from another,</li> <li>b. the practitioner has doubts about the reliability of information to be used as evidence, or</li> <li>c. responses to inquiries of the responsible party or others are inconsistent or otherwise unsatisfactory (for example, vague or implausible),</li> </ul> <p>the practitioner should determine what modifications or additions to procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the engagement.</p>	
<p><b>Tests of Controls</b></p> <p><b>2.21</b> The practitioner should design and perform tests of controls to obtain sufficient appropriate evidence about the operating effectiveness of relevant controls if</p> <ul style="list-style-type: none"> <li>a. the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures;</li> <li>b. procedures other than tests of controls cannot alone provide sufficient appropriate evidence; or</li> <li>c. the subject matter is internal control. (Ref: par. 2.A23)</li> </ul> <p><b>2.22</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> <ul style="list-style-type: none"> <li>a. the tests of controls that have been performed provide an appropriate basis for reliance on the controls,</li> <li>b. additional tests of controls are necessary, or</li> <li>c. the potential risks of misstatement need to be addressed using other procedures.</li> </ul>	<p><b>Tests of Controls</b></p> <p><b>2.A23</b> When the subject matter is internal control, the practitioner obtains evidence of internal control effectiveness through tests of controls. If the responsible party has implemented effective monitoring of internal control, the practitioner may choose to test the monitoring component to reduce the assessment of control risk and the extent of tests of controls needed to achieve an appropriately low level of attestation risk. (Ref: par. 2.21)</p>
<p><b>Procedures Other Than Tests of Controls</b></p> <p><b>2.23</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</p>	

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
internal control.	
<p><b>Analytical Procedures Performed in Response to Assessed Risks</b></p> <p><b>2.24</b> When designing and performing analytical procedures in response to assessed risks, the practitioner should</p> <ul style="list-style-type: none"> <li>a. 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;</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 and controls over their preparation; and</li> <li>c. develop an expectation which is sufficiently precise to identify possible material misstatements. (Ref: par. 2.A24–2.A25)</li> </ul> <p><b>2.25</b> If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected quantities or ratios, the practitioner should investigate such differences by</p> <ul style="list-style-type: none"> <li>a. inquiring of the responsible party and obtaining additional evidence relevant to its responses and</li> <li>b. performing other procedures as necessary in the circumstances.</li> </ul>	<p><b>Analytical Procedures Performed in Response to Assessed Risks</b></p> <p><b>2.A24</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. (Ref: par. 2.24)</p> <p><b>2.A25</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. (Ref: par.2.24)</p>
<p><b>Procedures Regarding Estimates</b></p> <p><b>2.26</b> Based on the assessed risks of material misstatement, the practitioner should evaluate whether</p> <ul style="list-style-type: none"> <li>a. the responsible party has appropriately applied the requirements of the applicable criteria relevant to any estimated amounts and</li> <li>b. the methods for making estimates are appropriate and have been applied consistently and whether changes, if any, in reported estimates or in the method for making them from the prior period, if applicable, are appropriate in the circumstances.</li> </ul> <p><b>2.27</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>a. Determine whether events occurring up to the date of the practitioner’s</li> </ul>	

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>report provide evidence regarding the estimate.</p> <p><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</p> <ul style="list-style-type: none"> <li><i>i.</i> method of measurement used is appropriate in the circumstances and</li> <li><i>ii.</i> assumptions used by the responsible party are reasonable.</li> </ul> <p><i>c.</i> Test the operating effectiveness of the controls over how the responsible party made the estimate, together with other appropriate further procedures.</p> <p><i>d.</i> Develop a point estimate or a range to evaluate the responsible party’s estimate. For this purpose if the practitioner</p> <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>	
<p><b>Sampling</b></p> <p><b>2.28</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. (Ref: par. 2.A26–2.A27)</p>	<p><b>Sampling</b></p> <p><b>2.A26</b> Sampling involves</p> <ul style="list-style-type: none"> <li><i>a.</i> determining a sample size sufficient to reduce sampling risk to an acceptably low level.</li> <li><i>b.</i> selecting items for the sample in such a way that each sampling unit in the population has a chance of selection and performing procedures, appropriate to the purpose, on each item selected. If the practitioner is unable to apply the designed procedures, or suitable alternative procedures, to a selected item, that item is treated 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><i>c.</i> 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> </ul>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	<p><i>d.</i> evaluating</p> <ul style="list-style-type: none"> <li><i>i.</i> the results of the sample, including projecting misstatements found in the sample to the population, and</li> <li><i>ii.</i> whether the use of sampling has provided an appropriate basis for conclusions about the population that has been tested. (Ref: par. 2.28)</li> </ul> <p><b>2.A27</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. (Ref: par. 2.28)</p>
<p><b>Fraud, Laws, and Regulations</b></p> <p><b>2.29</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>	<p><b>Fraud, Laws, and Regulations</b></p>
<p><b>2.30</b> The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws and regulations identified during the engagement. (Ref: par. 2.A28–2.29)</p>	<p><b>2.A28</b> In responding to fraud or suspected fraud identified during the engagement, it may be appropriate for the practitioner to, if permitted by law, regulation, or ethics standards, for example</p> <ul style="list-style-type: none"> <li>• discuss the matter with the appropriate party or parties.</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. (Ref: par. 2.30)</li> </ul> <p><b>2.A29</b> The actions noted in the preceding paragraph also may be appropriate in responding to noncompliance or suspected noncompliance with laws and regulations identified during the engagement. It may be appropriate to describe the matter in an explanatory paragraph in the practitioner’s report, unless the practitioner</p> <ul style="list-style-type: none"> <li><i>a.</i> is precluded by the responsible party from obtaining sufficient appropriate evidence to evaluate whether noncompliance that may be</li> </ul>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	<p>material to the subject matter has, or is likely to have, occurred, in which case paragraphs 2.55(a) and 2.57 apply, or</p> <p><i>b.</i> concludes that the noncompliance materially misstates the subject matter, in which case paragraph 2.55(b) applies. (Ref: par. 2.30)</p>
<p><b>Revision of Risk Assessment</b></p> <p><b>2.31</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. 2.A30–2.A31)</p>	<p><b>Revision of Risk Assessment</b></p> <p><b>2.A30</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. (Ref: par. 2.31)</p> <p><b>2.A31</b> The practitioner may become aware of a matter(s) that causes the practitioner to believe the subject matter may be materially misstated when, for example, performing analytical procedures if the practitioner identifies a fluctuation or relationship that is inconsistent with other relevant information or that differs significantly from expectations. (Ref: par. 2.31)</p>
<p><b>Evaluating the Reliability of Information Produced by the Entity</b></p> <p><b>2.32</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:</p> <p><i>a.</i> Obtaining evidence about the accuracy and completeness of the information</p> <p><i>b.</i> Evaluating whether the information is sufficiently precise and detailed for the practitioner’s purposes</p>	
<p><b>Using the Work of a Practitioner’s Specialist</b></p> <p><b>2.33</b> When the practitioner expects to use the work of a practitioner’s specialist, the practitioner should do the following: (Ref: par. 2.A32–2.A44)</p>	<p><b>Using the Work of a Practitioner’s Specialist</b></p> <p><b>2.A32</b> The following matters are often relevant when determining the nature, timing, and extent of procedures with respect to using the work of a practitioner’s specialist (See chapter 1<sup>1</sup> of this proposed SSAE.):</p> <p><i>a.</i> The significance of that specialist’s work in the context of the engagement (See also paragraphs 2.A33–2.A34.)</p>

<sup>1</sup> Paragraph 1.30.

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
	<p data-bbox="1121 240 1990 526"> <i>b.</i> The nature of the matter to which that specialist’s work relates  <i>c.</i> The risks of material misstatement in the matter to which that specialist’s work relates  <i>d.</i> The practitioner’s knowledge of and experience with previous work performed by that specialist  <i>e.</i> Whether that specialist is subject to the practitioner’s firm’s quality control policies and procedures (See also paragraph 2.A35.) (Ref: par. 2.33)                 </p> <p data-bbox="1073 537 1682 570"><b><i>Integrating the Work of a Practitioner’s Specialist</i></b></p> <p data-bbox="1073 581 2024 1013"> <b>2.A33</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 is effective two-way communication 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. (Ref: par. 2.33)                 </p> <p data-bbox="1073 1024 2011 1224"> <b>2.A34</b> As noted in chapter 1,<sup>2</sup> 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 2.33 at the engagement acceptance or continuance stage. This is particularly so when the work of the practitioner’s specialist is to be used in the early stages of the engagement, for example, during initial planning and risk assessment. (Ref: par. 2.33)                 </p> <p data-bbox="1073 1235 1885 1268"><b><i>The Practitioner’s Firm’s Quality Control Policies and Procedures.</i></b></p> <p data-bbox="1073 1279 2024 1370"> <b>2.A35</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                 </p>

<sup>2</sup> Paragraph 1.A51.

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	<p>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>• Competence and capabilities, through recruitment and training programs</li> <li>• The practitioner’s evaluation of the objectivity of the practitioner’s internal specialist (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 chapter. (Ref: par. 2.33)</p>
<p>a. Evaluate whether the practitioner’s specialist has the necessary competence, capabilities, and objectivity for the practitioner’s purposes. 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. 2.A36–2.A39)</p>	<p><b><i>The Competence, Capabilities, and Objectivity of a Practitioner’s Specialist</i></b></p> <p><b>2.A36</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> </ul>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	<ul style="list-style-type: none"> <li>• The firm’s quality control policies and procedures (Ref: par. 2.33[a])</li> </ul> <p><b>2.A37</b> Although a practitioner’s specialists do 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 chapters of the attestation standards to enable that specialist to relate the work assigned to them to the engagement objective. (Ref: par. 2.33[a])</p> <p><b>2.A38</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. (Ref: par. 2.33[a])</p> <p><b>2.A39</b> When evaluating the objectivity of a practitioner’s external specialist, it may be relevant to</p> <ul style="list-style-type: none"> <li>• inquire of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) has with the practitioner’s external specialist that may affect that specialist’s objectivity.</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 it 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(ies) of which that specialist is aware. (Ref: par. 2.33[a])</p>
<p><i>b.</i> Obtain a sufficient understanding of the field of expertise of a</p>	<p><b><i>Obtaining an Understanding of the Field of Expertise of a Practitioner’s</i></b></p>

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>practitioner’s specialist. (Ref: par. 2.A40–2.A41)</p>	<p><b>Specialist</b></p> <p><b>2.A40</b> Having a sufficient understanding of the field of expertise of the practitioner’s specialist enables the practitioner to</p> <ul style="list-style-type: none"> <li>a. agree with the practitioner’s specialist on the nature, scope, and objectives of that specialist’s work for the practitioner’s purposes and</li> <li>b. evaluate the adequacy of that work for the practitioner’s purposes. (Ref: par. 2.33[b])</li> </ul> <p><b>2.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 whether they are generally accepted within that specialist’s field and appropriate in the circumstances of the engagement</li> <li>• The nature of internal and external data or information the practitioner’s specialist uses (Ref: par. 2.33[b])</li> </ul>
<p>c. Agree with the practitioner’s specialist regarding</p> <ul 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. (Ref: par. 2.A42)</li> </ul>	<p><b>Agreement With a Practitioner’s Specialist</b></p> <p><b>2.A42</b> The matters noted in paragraph 2.A35 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. (Ref: par. 2.33[c])</p>
<p>d. Evaluate the adequacy of the work of the practitioner’s specialist for the practitioner’s purposes. (Ref: par. 2.A43–2.A44)</p>	<p><b>Evaluating the Adequacy of a Practitioner’s Specialist’s Work</b></p> <p><b>2.A43</b> The following matters are ordinarily relevant when evaluating the adequacy of the work of the practitioner’s specialist for the practitioner’s purposes:</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	<ul style="list-style-type: none"> <li>a. The relevance and reasonableness of the findings and conclusions of the practitioner’s specialist and their consistency with other evidence</li> <li>b. If the work of the practitioner’s specialist involves the use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances, giving consideration to the rationale and support provided by the specialist, and in relation to the practitioner’s other findings and conclusions</li> <li>c. If the work of the practitioner’s specialist involves the use of source data that is significant to the work of the practitioner’s specialist, the relevance, completeness, and accuracy of that source data (Ref: par. 2.33[d])</li> </ul> <p><b>2.A44</b> If the practitioner determines that the work of the practitioner’s specialist is not adequate for the practitioner’s purposes, options available to the practitioner include the following:</p> <ul style="list-style-type: none"> <li>a. Agreeing with that specialist on the nature and extent of further work to be performed by that specialist</li> <li>b. Performing additional procedures appropriate to the circumstances (Ref: par. 2.33[d])</li> </ul>
<p><b>Using the Work of Internal Auditors</b></p> <p><b>2.34</b> When the practitioner expects to use the work of the internal audit function, the practitioner should determine whether the work of the internal audit function can be used for purposes of the examination by</p> <ul style="list-style-type: none"> <li>a. evaluating <ul style="list-style-type: none"> <li>i. the extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal auditors;</li> <li>ii. the level of competence of the internal audit function; and</li> <li>iii. the application by the internal audit function of a systematic and disciplined approach, including quality control.</li> </ul> </li> <li>b. performing sufficient procedures, including reperformance, on the body of work of the internal audit function that the practitioner plans to use to evaluate whether such work is adequate for the practitioner’s purposes. (Ref: par. 2.A45–2.A46)</li> </ul> <p><b>2.35</b> When using internal auditors to provide direct assistance to the</p>	<p><b>Using the Work of Internal Auditors</b></p> <p><b>2.A45</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 the internal audit function on the engagement. The extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal auditors and the level of competence of the function are important in determining whether to use and, if so, the nature and extent of the use of the work of the function that is appropriate in the circumstances. Objectivity and competence may be viewed as a continuum. The higher the degree of objectivity and competence, the greater use the practitioner may make of the work of the internal audit function. However, a high degree of objectivity cannot compensate for a low degree of competence, nor can a high degree of competence compensate for low degree of objectivity. (Ref: par. 2.34)</p> <p><b>2.A46</b> Because the practitioner has sole responsibility for the opinion expressed, the practitioner makes all significant judgments in the examination engagement. In addition, the practitioner generally plans to use less of the work of the internal audit function when more judgment is involved and the higher the</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
<p>practitioner, the practitioner should direct, supervise, and review the work of the internal auditors.</p>	<p>assessed risk of material misstatement. Likewise, the procedures the practitioner performs on the body of work of the internal audit function that the practitioner plans to use are commensurate with the level of judgment and risk involved, as well as the function’s objectivity and competence. These procedures provide a basis for evaluating the overall quality of the function’s work and the objectivity with which it has been performed. In addition to reperformance, these procedures may include the following:</p> <ul style="list-style-type: none"> <li>• Making inquiries of appropriate individuals within the internal audit function</li> <li>• Observing procedures performed by the internal audit function</li> <li>• Reviewing the internal audit function’s work program and working papers (Ref: par. 2.34)</li> </ul>
<p><b>Using the Work of Other Practitioners</b></p> <p><b>2.36</b> When the practitioner expects to use the work of other practitioners, the practitioner should</p> <ol 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 examination 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 practitioners’ work and their findings.</li> <li>d. if assuming responsibility for the work of other practitioners, be involved in the work of the other practitioners.</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. (Ref: par. 2.A47–2.A48)</li> </ol>	<p><b>Using the Work of Other Practitioners</b></p> <p><b>2.A47</b> The practitioner is responsible for (a) the direction, supervision, and performance of the examination engagement in compliance with professional standards; applicable regulatory and legal requirements; and the firm’s policies and procedures and (b) determining whether the practitioner’s report that is issued is appropriate in the circumstances. The practitioner may, however, use the work of other practitioners to obtain sufficient appropriate evidence to express an opinion on the subject matter or assertion. (Ref: par. 2.36)</p> <p><b>2.A48</b> The engagement partner may decide to assume responsibility for the work of the other practitioner or to make reference to the other practitioner in the practitioner’s report. Regardless of whether the engagement partner decides to assume responsibility or make reference, the practitioner is required to communicate clearly with the other practitioner and evaluate whether the other practitioner’s work is adequate for the purposes of the examination engagement. The nature, timing, and extent of this involvement are affected by the practitioner’s understanding of the other practitioner, such as previous experience with, or knowledge of, the other practitioner and the degree to which the engagement team and the other practitioner are subject to common quality control policies and procedures. (Ref: par. 2.36)</p>
<p><b>Evaluating the Results of Examination Procedures</b></p> <p><b>2.37</b> The practitioner should accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: par. 2.A49)</p>	<p><b>Evaluating the Results of Examination Procedures</b></p> <p><b>2.A49</b> Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in aggregate, they are material when forming the practitioner’s opinion. (See also paragraph 2.49[b].) (Ref: par.</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	2.37)
<p><b>2.38</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 to contradict the measurement or evaluation of the subject matter against the applicable criteria. If the practitioner is unable to obtain necessary further evidence, the practitioner should consider the implications for the practitioner’s opinion in paragraphs 2.55(a) and 2.56–2.57. (Ref: par. 2.A50–2.A55)</p>	<p><b>2.A50</b> Evidence is necessary to support the practitioner’s opinion and examination report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm’s quality control procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by a specialist employed or engaged by the appropriate party(ies). Evidence 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[ies] to provide a requested representation) is considered by the practitioner and, therefore, also constitutes evidence. (Ref: par. 2.38)</p> <p><b>2.A51</b> The sufficiency and appropriateness of evidence are interrelated. Sufficiency of evidence is the measure of the quantity of evidence. The quantity of the evidence needed is affected by the risks of material misstatement and also by the quality of such evidence. (Ref: par. 2.38)</p> <p><b>2.A52</b> Appropriateness of evidence 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 by its nature and is dependent on the individual circumstances under which it is obtained. Generalizations about the reliability of various kinds of evidence can be made; however, such generalizations are subject to important exceptions. Even when evidence is obtained from sources external to the responsible party, circumstances may exist that could affect its reliability. For example, evidence obtained from an independent external source may not be reliable if the source is not knowledgeable. Recognizing that exceptions may exist, the following generalizations about the reliability of evidence may be useful:</p> <ul style="list-style-type: none"> <li>• Evidence is more reliable when it is obtained from independent sources outside the appropriate party(ies).</li> <li>• Evidence that is generated internally is more reliable when the related</li> </ul>

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
	<p>controls are effective.</p> <ul style="list-style-type: none"> <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 is ordinarily more reliable than a subsequent oral representation of what was discussed). (Ref: par. 2.38)</li> </ul> <p><b>2.A53</b> The practitioner ordinarily obtains more assurance from consistent evidence obtained from different sources or of a different nature than from items of evidence 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. (Ref: par. 2.38)</p> <p><b>2.A54</b> In terms of obtaining sufficient appropriate evidence, it is generally more difficult to obtain assurance about subject matter covering a period than about subject matter at a point in time. In addition, conclusions provided on processes are limited to the period covered by the engagement; the practitioner provides no opinion about whether the process will continue to function in the specified manner in the future. (Ref: par. 2.38)</p> <p><b>2.A55</b> Whether sufficient appropriate evidence has been obtained on which to base the practitioner’s opinion is a matter of professional judgment. (Ref: par. 2.38)</p>
<p><b>Considering Subsequent Events and Subsequently Discovered Facts</b></p> <p><b>2.39</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. If the practitioner becomes aware, through inquiry or otherwise, of such an event, or any other event that is of such a nature and</p>	<p><b>Considering Subsequent Events and Subsequently Discovered Facts</b></p> <p><b>2.A56</b> For certain subject matter, specific subsequent event guidance has been developed to provide additional requirements for engagement performance and reporting. (Ref: par. 2.39)</p> <p><b>2.A57</b> If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent report users from being misled, other appropriate actions the practitioner may take include the following:</p>

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>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. 2.A56–2.A57)</p>	<ul style="list-style-type: none"> <li>• Disclosing the event in the practitioner’s report and modifying the practitioner’s report</li> <li>• Withdrawing from the engagement (Ref: par. 2.39)</li> </ul>
<p><b>2.40</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 practitioner’s report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the practitioner’s report. (Ref: par. 2.A58–2.A59)</p>	<p><b>2.A58</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 practitioner’s report. In such circumstances, the practitioner undertakes to determine whether the facts existed at the date of the practitioner’s report and, if so, whether persons are currently using or likely to use the practitioners’ 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 that 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 period (or point in time) covered by the engagement and the date the practitioner’s report was released. 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. (Ref: par. 2.40)</p> <p><b>2.A59</b> Depending on the circumstances, the practitioner may determine that notification of the situation by the appropriate party to persons who are currently using or likely to use the practitioners’ report who would attach importance to the facts is necessary. This may be the case, for example, when the practitioner’s report is not to be relied upon because the subject matter or assertion need revision or the practitioner is unable to determine whether revision is necessary and when issuance of a subsequent report is not imminent. If the appropriate party failed to take the necessary steps to prevent reliance on the practitioner’s report, the practitioner’s course of action depends upon the practitioner’s legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and of its effect on the subject matter or assertion and the practitioner’s report, avoiding comments concerning the conduct or motives of any person. (Ref: par. 2.40)</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
<p><b>Written Representations</b></p> <p><b>2.41</b> The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should</p> <ul style="list-style-type: none"> <li>a. state that the subject matter is based on or in conformity with the applicable criteria and that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion.</li> <li>b. state that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies affecting the subject matter or assertion have been disclosed to the practitioner.</li> <li>c. acknowledge responsibility for <ul style="list-style-type: none"> <li>i. the subject matter and the assertion,</li> <li>ii. selecting the criteria, when applicable, and</li> <li>iii. determining that such criteria are appropriate, for its purposes.</li> </ul> </li> <li>d. state that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion have been disclosed to the practitioner.</li> <li>e. state that it has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement.</li> <li>f. if applicable, state that the responsible party believes the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the subject matter. (Ref: par. 2.A62)</li> <li>g. if applicable, state that significant assumptions used in making any material estimates are reasonable.</li> <li>h. state that the responsible party has disclosed to the practitioner <ul style="list-style-type: none"> <li>i. all significant deficiencies in internal control relevant to the engagement of which the responsible party is aware;</li> <li>ii. its knowledge of any actual, suspected, or alleged fraud or noncompliance with laws or regulations affecting the subject matter; and</li> <li>iii. other matters as the practitioner deems appropriate.</li> </ul> </li> </ul> <p>(Ref: par. 2.A60–2.A62)</p>	<p><b>Written Representations</b></p> <p><b>2.A60</b> Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person(s) from whom the practitioner requests written representations will ordinarily be a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party(ies), which may vary by entity, reflecting influences such as size and ownership characteristics. (Ref: par. 2.41)</p> <p><b>2.A61</b> Representations by the responsible party cannot replace other evidence the practitioner could reasonably expect to be available. Although written representations provide necessary 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. (Ref: par. 2.41 )</p> <p><b>2.A62</b> A summary of uncorrected misstatements ordinarily is included in or attached to the written representation. (Ref: par. 2.41[f])</p>
<p><b>2.42</b> When the engaging party is not the responsible party, the practitioner</p>	

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
<p>should</p> <ul style="list-style-type: none"> <li>a. request written representations, in addition to those requested from the responsible party, from the engaging party in the form of a letter addressed to the practitioner. The representations should                             <ul style="list-style-type: none"> <li>i. acknowledge the engaging party’s responsibility for selecting the criteria, when applicable.</li> <li>ii. acknowledge the engaging party’s responsibility for determining that such criteria are appropriate for its purposes.</li> <li>iii. state that the engaging party is not aware of any material misstatements in the subject matter or assertion.</li> <li>iv. 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.</li> <li>v. acknowledge that the responsible party is responsible for the subject matter and assertion.</li> <li>vi. address other matters as the practitioner deems appropriate.</li> </ul> </li> <li>b. if the responsible party refuses to provide the representations in paragraph 2.41 in writing, make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph 2.41.</li> </ul>	
<p><b>2.43</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>a. evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written), and</li> <li>b. consider whether those making the representations can be expected to be well informed on the particular matters.</li> </ul> <p><b>2.44</b> The date of the written representations should be as of the date of the examination report. The written representations should address the subject matter and periods referred to in the practitioner’s report.</p>	
<p><b>Requested Written Representations Not Provided or Not Reliable</b></p> <p><b>2.45</b> If, when the engaging party and the responsible party are the same, 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</p>	<p><b>Requested Written Representations Not Provided or Not Reliable</b></p> <p><b>2.A63</b> The refusal to furnish such evidence in the form of written representations constitutes a limitation on the scope of an examination sufficient to preclude an unqualified opinion and may be sufficient to cause the practitioner</p>

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>representations, or that the written representations are otherwise not reliable, the practitioner should</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; and</li> <li>c. take appropriate action. (Ref: par. 2.A63)</li> </ol>	<p>to withdraw from the examination engagement. (Ref: par. 2.45)</p>
<p><b>2.46</b> When the engaging party is different than the responsible party</p> <ol style="list-style-type: none"> <li>a. if one or more of the requested representations are not provided in writing by the responsible party, but the practitioner receives satisfactory responses to the practitioner’s inquiries performed in accordance with paragraph 2.42(b) sufficient to enable the practitioner to conclude that the practitioner has sufficient appropriate evidence to form an opinion about the subject matter, the examination report should contain an alert paragraph that restricts the use of the report to the engaging party.</li> <li>b. if one or more of the requested representations are not provided in writing or orally from the responsible party, in accordance with paragraph 2.42(b), a scope limitation exists, and the practitioner should determine the impact on the practitioner’s report.</li> </ol>	
<p><b>Other Information</b></p> <p><b>2.47</b> If prior to or after the release of the practitioner’s examination report on subject matter or an assertion, the practitioner decides to permit the inclusion of the practitioner’s examination report in a document that contains the subject matter or assertion and other information, the practitioner should read that other information to identify material inconsistencies, if any, with the subject matter, assertion, or the examination report. If on reading that other information, the practitioner</p> <ol style="list-style-type: none"> <li>a. identifies a material inconsistency between that other information and the subject matter, assertion, or the examination report or</li> <li>b. becomes aware of a material misstatement of fact in that other information, the subject matter, assertion, or the examination report,</li> </ol> <p>the practitioner should discuss the matter with the responsible party and take further action as appropriate. (Ref: par.2.A64–2.A65)</p>	<p><b>Other Information</b></p> <p><b>2.A64</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(ies) to consult with a qualified third party, such as the appropriate party(ies)’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 examination report</li> <li>• Withdrawing from the engagement, when withdrawal is possible under applicable laws or regulations (Ref: par. 2.47)</li> </ul> <p><b>2.A65</b> Other information does not include information contained on the</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	appropriate party(ies)'s website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph 2.47. (Ref: par. 2.47)
<p><b>Description of Applicable Criteria</b></p> <p><b>2.48</b> The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the applicable criteria. (Ref: par. 2.A66–2.A67)</p>	<p><b>Description of Applicable Criteria</b></p> <p><b>2.A66</b> The description of the criteria on which the subject matter is based is particularly important when there are significant differences between various criteria regarding how particular matters may be treated in the subject matter. (Ref: par. 2.48)</p> <p><b>2.A67</b> A description of the criteria that states that the subject matter is prepared in accordance with particular criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective. (Ref: par. 2.48)</p>
<p><b>Forming the Opinion</b></p> <p><b>2.49</b> The practitioner should form an opinion about whether the subject matter or assertion is free from material misstatement, whether due to error or fraud. In forming that opinion, the practitioner should evaluate</p> <ol style="list-style-type: none"> <li>a. the practitioner's conclusion regarding the sufficiency and appropriateness of evidence obtained and (Ref: par. 2A69)</li> <li>b. whether uncorrected misstatements are material, individually or in aggregate. (Ref: par. 2.A68–2.A69)</li> </ol>	<p><b>Forming the Opinion</b></p> <p><b>2.A68</b> An examination engagement is a cumulative process. As the practitioner performs planned procedures, the evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information that differs significantly from the information on which the risk assessments and planned procedures were based may come to the practitioner's attention, for example</p> <ul style="list-style-type: none"> <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> <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. (Ref: par. 2.49)</li> </ul> <p><b>2.A69</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</li> <li>• The effectiveness of the responsible party's responses to address the</li> </ul>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance												
	<p>known risks</p> <ul style="list-style-type: none"> <li>• The experience gained during previous examination or review 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 (Ref: par. 2.49[a])</li> </ul>												
<p><b>Preparing the Report</b></p> <p><b>2.50</b> The report should be in writing. (Ref: par. 2.A70–2.A71)</p>	<p><b>Preparing the Report</b></p> <p><b>2.A70</b> Oral and other forms of expressing an opinion can be misunderstood without the support of a written report. For this reason, the practitioner may not report orally or by use of symbols 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 examination report on the Internet. (Ref: par. 2.50)</p> <p><b>2.A71</b> This chapter does not require a standardized format for reporting on all examination engagements. Instead it identifies the basic elements that the examination report is to include. Examination reports are tailored to the specific engagement circumstances. The practitioner may use headings, paragraph numbers, typographical devices, for example the bolding of text, and other mechanisms to enhance the clarity and readability of the examination report. (Ref: par. 2.50)</p>												
<p><b>2.51</b> 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 practitioner’s report. (Ref: par. 2.A72)</p>	<p><b>2.A72</b> All of the following reporting options are available to a practitioner, except when the circumstances described in paragraph 2.59 exist:</p> <table border="1"> <tr> <td><i>The practitioner may state in the scope paragraph that the practitioner examined</i></td> <td align="center">and</td> <td><i>State in the opinion paragraph that the practitioner expresses an opinion on</i></td> </tr> <tr> <td>the subject matter</td> <td></td> <td>the subject matter</td> </tr> <tr> <td>the responsible party’s assertion</td> <td></td> <td>the responsible party’s assertion</td> </tr> <tr> <td>the responsible party’s assertion</td> <td></td> <td>the subject matter</td> </tr> </table>	<i>The practitioner may state in the scope paragraph that the practitioner examined</i>	and	<i>State in the opinion paragraph that the practitioner 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 may state in the scope paragraph that the practitioner examined</i>	and	<i>State in the opinion paragraph that the practitioner 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											

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	(Ref: par. 2.51)
<p><b>Report Content</b></p> <p><b>2.52</b> The practitioner’s examination report should include the following, unless the practitioner is disclaiming an opinion, in which case items 2.52(e)(ii), 2.52(f)(i)–(iii), and 2.52(g) should be omitted:</p> <p><i>a.</i> A title that includes the word independent (Ref: par. 2.A73)</p> <p><i>b.</i> An appropriate addressee as required by the circumstances of the engagement</p> <p><i>c.</i> An identification or description of the subject matter 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</p>	<p><b>Report Content</b></p> <p><b>2.A73</b> A title indicating that the examination 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 of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner’s report from reports issued by others. (Ref: par. 2.52[a])</p>
<p><i>d.</i> An identification of the criteria against which the subject matter was measured or evaluated (Ref: par. 2.A74–2.A75)</p>	<p><b>2.A74</b> The examination report identifies the criteria against which the subject matter was measured or evaluated so that the intended users can understand the basis for the practitioner’s opinion. The examination report may include the criteria or refer to them if they are included in the subject matter or assertion, or are otherwise available from a readily accessible source. It may be relevant in the circumstances, to disclose</p> <ul style="list-style-type: none"> <li>• the source of the criteria.</li> <li>• the measurement or evaluation methods used when the criteria allow for choice between a number of methods.</li> <li>• any significant interpretations made in applying the criteria in the engagement circumstances.</li> <li>• whether there have been any changes in the measurement or evaluation methods used.</li> </ul> <p>(Ref: par. 2.52[d])</p> <p><b>2.A75</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 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</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	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, in the written assertion, or in the practitioner’s report, even if the subject matter for the preceding date or period is not presented. (Ref: par. 2.52[d])
<p><i>e</i> A statement to identify</p> <ul style="list-style-type: none"> <li>i. the responsible party and its responsibilities</li> <li>ii. the practitioner’s responsibilities (Ref: par. 2.A76–2.A78)</li> </ul>	<p><b>2.A76</b> Identifying relative responsibilities informs the intended users that the responsible party is responsible for the subject matter, and the practitioner’s role is to independently express an opinion about it. (Ref: par. 2.52[e])</p> <p><b>2.A77</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 fair presentation of the subject matter in conformity with 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. (Ref: par. 2.52[e])</p> <p><b>2.A78</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 conformity with the criteria.</li> <li>• obtain an understanding of internal control over the subject matter (Ref: par. 2.52[e])</li> </ul>
<p><i>f.</i> 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 practitioner plan and perform the examination to obtain reasonable assurance about whether <ul style="list-style-type: none"> <li>(1) the subject matter is free from material misstatement based on the criteria referenced in the report or</li> <li>(2) management’s assertion is free from material misstatement based on the criteria referenced in the report (Ref: par. 2.A79)</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> <li>iv. describes significant inherent limitations, if any, associated with the</li> </ul>	<p><b>2.A79</b> The language in paragraph 2.52(f)(ii) may need to be modified to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph 2.52(f)(ii) 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.”</li> <li>• the subject matter is presented in conformity with the criteria.”</li> <li>• the subject matter achieves the objectives.” (Ref: par. 2.52[f][ii])</li> </ul> <p><b>2.A80</b> Examples of examination reports and the inherent limitations they identify include</p> <ul style="list-style-type: none"> <li>• An examination report on the effectiveness of internal control, indicating that because of inherent limitations, internal control may not prevent, or detect and correct, misstatements and that projections of any evaluation of effectiveness to future periods are subject to the risk that controls may</li> </ul>

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>measurement or evaluation of the subject matter against the criteria (Ref: par. 2.A80)</p>	<p>become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.</p> <ul style="list-style-type: none"> <li>• An examination report on a forecast indicating that 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. (Ref: par. 2.52[f][iv])</li> </ul>
<p>g. A description of the nature of an examination engagement (Ref: par. 2.A81)</p>	<p><b>2.A81</b> A description of the nature of an examination engagement may state, for example, that</p> <ul style="list-style-type: none"> <li>• an examination includes performing procedures to obtain evidence about whether the subject matter is presented in conformity with the criteria and that 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 includes examining on a test basis evidence about the subject matter or assertion.</li> <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 examination 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. (Ref: par. 2.52[g])</li> </ul>
<p>h. The practitioner’s opinion about whether</p> <ol style="list-style-type: none"> <li>the subject matter is free from material misstatement, in all material respects, based on (or in conformity with) the criteria or</li> <li>the assertion is fairly stated in all material respects</li> </ol> <p>When the practitioner modifies the opinion, the practitioner should include a paragraph in the practitioner’s report that provides a description of the matter(s) giving rise to the modification. (Ref: par. 2.A82–2.A84 and 2.A93)</p>	<p><b>2.A82</b> The practitioner’s opinion can be worded either in terms of the subject matter and the criteria (for example, “In our opinion, internal control is effective, in all material respects, based on ABC criteria.”) or in terms of an assertion made by the responsible party (for example, “In our opinion, the responsible party’s assertion that internal control is effective based on ABC criteria, is fairly stated in all material respects.”). (Ref: par. 2.52[h])</p> <p><b>2.A83</b> The language of the practitioner’s opinion in paragraph 2.52(h)(i) may need to be tailored to reflect the nature of the subject matter and criteria for the engagement. Examples of language that meet the requirements in paragraph 2.52(h)(i) include the following:</p> <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> </ul>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
	<ul style="list-style-type: none"> <li>• The subject matter is presented in conformity with the criteria, in all material respects.</li> <li>• The subject matter achieved the objectives in all material respects.</li> <li>• The subject matter is free from material misstatement, in all material respects, based on the criteria. (Ref: par. 2.52[h][i])</li> </ul> <p><b>2.A84</b> A single report may cover more than one aspect of a subject matter or an assertion about the subject matter. When that is the case, the practitioner’s 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 review level related to others or an unqualified opinion on some aspects or assertions and a qualified opinion on others). (Ref: par. 2.52[h])</p>
<p><i>i.</i> An alert in a separate paragraph that restricts the use of the report in the following circumstances:</p> <p><i>i.</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>ii.</i> The criteria used to evaluate the subject matter are available only to specified parties.</p> <p><i>iii.</i> The responsible party is not the engaging party, and the responsible party does not provide written representations.</p> <p>The alert should</p> <ol style="list-style-type: none"> <li>(1) state that the report is intended solely for the information and use of the specified parties,</li> <li>(2) identify the specified parties for whom use is intended, and</li> <li>(3) state that the practitioner’s report is not intended to be and should not be used by anyone other than the specified parties.</li> </ol> <p>When the engagement is also performed in accordance with government auditing standards, instead of including the information in paragraph 2.52(i)(iii)(1–3), the alert should</p> <ol style="list-style-type: none"> <li>(4) describe the purpose of the practitioner’s report and</li> <li>(5) state that the practitioner’s report is not suitable for any other purpose.</li> </ol>	<p><b>2.A85</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 users of XYZ Service Organization’s system 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. (Ref: par. 2.52[i])</p> <p><b>2.A86</b> A practitioner’s report that is required by paragraphs 2.52(i) 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. (Ref: par. 2.52[i])</p> <p><b>2.A87</b> A practitioner may also issue a single combined report that includes (a) reports that are required by paragraph 2.52(i) to include an alert that restricts their use and (b) reports that are for general use. If these two types of reports are clearly differentiated within the combined communication, such as through the use of appropriate headers, the alert that restricts the use of the practitioner’s report may be limited to the report required by paragraph 2.52(i) to include such an alert. In such circumstances, the use of the general use report is not affected. (Ref: par. 2.52[i])</p> <p><b>2.A88</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 readers of the report to this fact and that, therefore, the report is intended solely for the information and use of the specified parties. (Ref: par. 2.52[i])</p> <p><b>2.A89</b> A practitioner is not responsible for controlling, and cannot control,</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
(Ref: par. 2.A82–2.A87)	distribution of the practitioner’s report after its release. The alert that restricts the use of the practitioner’s written report is designed to avoid misunderstandings related to the use of the practitioner’s written report, particularly if the practitioner’s written report is taken out of the context in which the practitioner’s written 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 practitioner’s written report is not intended for distribution to parties other than those specified in the practitioner’s written 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 practitioner’s written report will be restricted and may obtain the responsible party’s agreement that the responsible party and specified parties will not distribute such practitioner’s report to parties other than those identified therein. (Ref: par. 2.52[i])
<ul style="list-style-type: none"> <li><i>j.</i> The manual or printed signature of the practitioner’s firm</li> <li><i>k.</i> The city and state where the practitioner practices</li> </ul>	
<ul style="list-style-type: none"> <li><i>l.</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 that the responsible party has provided a written assertion.) (Ref: par. 2.A90–2.A91)</li> </ul>	<p><b>2.A90</b> Including the date of the examination report informs the intended users that the practitioner has considered the effect on the subject matter and on the examination report of events that occurred up to that date. (Ref: par. 2.52[l])</p> <p><b>2.A91</b> Because the practitioner’s opinion is with respect to 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 of 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. (Ref: par. 2.52[l])</p>

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
<p><b>Reference to the Practitioner’s Specialist</b></p> <p><b>2.53</b> The practitioner should not refer to the work of a practitioner’s specialist in the practitioner’s examination report containing an unmodified opinion. (Ref: par. 2.A92)</p> <p><b>2.54</b> When the examination report 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. (Ref: par. 2.A92)</p>	<p><b>Reference to the Practitioner’s Specialist</b></p> <p><b>2.A92</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. (Ref: par. 2.53–2.54)</p>
<p><b>Modified Opinions</b></p> <p><b>2.55</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:</p> <ul style="list-style-type: none"> <li>a. The practitioner is unable to obtain sufficient appropriate evidence to conclude that the subject matter is free from material misstatement.</li> <li>b. The practitioner concludes, based on evidence obtained, that the subject matter is not free from material misstatement. (Ref: par. 2.A93–2.A94)</li> </ul>	<p><b>Modified Opinions</b></p> <p><b>2.A93</b> An unmodified opinion may only occur 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. (Ref: par. 2.55 and 2.52[h])</p> <p><b>2.A94</b> If the responsible party does not provide the practitioner with a written assertion despite its initial agreement to provide one, the engagement requirement in paragraph 2.8 will not be fulfilled and, accordingly, the practitioner will not be able to issue a report on the engagement. (Ref: par. 2.55)</p>
<p><b>2.56</b> The practitioner should express a qualified opinion when the effects, or possible effects, of a matter are not so pervasive as to require a disclaimer of opinion or an adverse opinion. A qualified opinion is expressed as being “except for the effects (or possible effects),” of the matter to which the qualification relates. (Ref: par. 2.A95–2.A96)</p>	<p><b>2.A95</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 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>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. (Ref: par. 2.56)</li> </ul> <p><b>2.A96</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 affects the type of report to be issued.</p>

**Chapter 2—Examination Engagements**

**Requirements**

**Application Guidance**

Nature of Matter Giving Rise to the Modification	Practitioner’s Professional Judgment About the Pervasiveness of the Effects or Possible Effects on the Subject Matter	
	<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
Subject matter is materially misstated.	Qualified opinion	Adverse opinion

(Ref: par. 2.56)

**2.57** If the practitioner is unable to obtain sufficient appropriate evidence, including when the practitioner is unable to obtain a written assertion from the responsible party, a scope limitation exists. When a scope limitation exists, the practitioner should express a qualified opinion, disclaim an opinion, or withdraw from the engagement, when withdrawal is possible under applicable laws or regulations. (Ref: par.2.A97–2.A100)

**2.A97** A scope limitation may arise from the following:

- a. Circumstances beyond the control of the appropriate party(ies). For example, documentation that the practitioner considers necessary to inspect may have been accidentally destroyed.
- b. Circumstances relating to the nature or timing of the practitioner’s work. For example, a physical process that the practitioner considers necessary to observe may have occurred before the practitioner’s engagement.
- c. Limitations imposed by the responsible party or the engaging party on the practitioner that, for example, may prevent the practitioner from performing a procedure that the practitioner considers necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the practitioner’s consideration of risks of material misstatement and engagement acceptance and continuance. (Ref: par. 2.57)

**2.A98** The practitioner’s decision to provide a qualified opinion, disclaim an

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
	<p>opinion, or withdraw from the engagement because of a scope limitation depends on an assessment of the effect of the omitted procedure(s) on the practitioner’s ability to express an opinion. This assessment will be affected by the nature and magnitude of the potential effects of the matters in question, and by their significance to the subject matter or assertion. If the effects or potential effects are material but not pervasive to the subject matter or assertion, a qualified opinion is appropriate. If the effects or potential effects are material and pervasive to the subject matter or assertion, a disclaimer of opinion or withdrawal from the engagement is appropriate. (Ref: par. 2.57)</p> <p><b>2.A99</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. (Ref: par. 2.57)</p> <p><b>2.A100</b> If law or regulation does not allow the practitioner to withdraw from the engagement, the practitioner disclaims an opinion. (Ref: par. 2.57)</p>
<p><b>2.58</b> If the practitioner expresses a modified opinion because of a scope limitation but is also aware of a matter(s) that causes the subject matter to be materially misstated, the practitioner should include in the report a clear description of both the scope limitation and the matter(s) that causes the subject matter to be materially misstated.</p> <p><b>2.59</b> If conditions exist that, individually or in combination, result in one or more material misstatements or deviations from the criteria, the practitioner should modify the report and should express a qualified or adverse opinion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.</p> <p><b>2.60</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.</p>	
<p><b>Documentation</b></p> <p><b>2.61</b> The practitioner should prepare engagement documentation that is sufficient to determine</p> <ul style="list-style-type: none"> <li>a. the nature, timing, and extent of the procedures performed to comply with relevant chapters of the attestation standards and applicable legal and regulatory requirements, including <ul style="list-style-type: none"> <li>i. the identifying characteristics of the specific items or matters tested.</li> </ul> </li> </ul>	<p><b>Documentation</b></p> <p><b>2.A101</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. (Ref: par. 2.61)</p> <p><b>2.A102</b> It is neither necessary nor practical to document every matter</p>

**Chapter 2—Examination Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>ii. who performed the engagement work and the date such work was completed.</p> <p>iii. the discussions of findings or issues that, in the practitioner’s professional judgment, are significant. The documentation should include the nature of the significant findings or issues discussed, and when and with whom the discussions took place.</p> <p>iv. when the engaging party is not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph 2.41, oral responses from the responsible party to the practitioner’s inquiries regarding the matters in paragraph 2.41, in accordance with paragraph 2.42[b].</p> <p>v. who reviewed the engagement work performed and the date and extent of such review.</p> <p><i>b.</i> the results of the procedures performed and the evidence obtained. (Ref: par. 2.A101–2.A104)</p>	<p>considered, or professional judgment made, during an engagement. Further, it is unnecessary for the practitioner to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included in the engagement file. Similarly, the practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents. (Ref: par. 2.61)</p> <p><b>2.A103</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 with an understanding of the work performed and the basis of the principal decisions made to another practitioner who has no previous experience with the engagement. (Ref: par. 2.61)</p> <p><b>2.A104</b>Documentation ordinarily includes a record of</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 course of the engagement. (Ref: par. 2.61)</li> </ul>
<p><b>2.62</b> If the practitioner identified information that is inconsistent with the practitioner’s final conclusion regarding a significant finding or issue, the practitioner should document how the practitioner addressed the inconsistency.</p>	
<p><b>2.63</b> If, in circumstances such as those described in paragraph 2.40, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner’s report, the practitioner should document</p> <p><i>a.</i> the circumstances encountered;</p> <p><i>b.</i> the new or additional procedures performed, evidence obtained, and conclusions reached and their effect on the practitioner’s report; and</p> <p><i>c.</i> when and by whom the resulting changes to the documentation were</p>	

**Chapter 2—Examination Engagements**

Requirements	Application Guidance
made and reviewed.	

**2.A105**

**Exhibit—Illustrative Examination Reports**

The illustrative examination reports meet the applicable reporting requirements in paragraphs 2.50–2.60. A practitioner may use alternative language in drafting an examination report, provided that the language meets the applicable requirements in paragraphs 2.50–2.60. 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 report users; therefore, these 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 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 2.52[i] for the information to be included in a separate report paragraph that contains an alert that restricts the use of the report.)

**Example 1—Examination Report on Subject Matter; Unmodified Opinion**

The following is an illustrative 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]*, 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, the schedule of investment returns]*. Our responsibility is to express an opinion 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 free from material misstatement based on the criteria referenced above. An examination includes performing procedures to obtain evidence about whether *[identify the subject matter, for example, the schedule of investment returns]* is in conformity with the criteria referenced above. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involve examining evidence about *[identify the subject matter, for example, the schedule of investment returns]*. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

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

*[Practitioner's signature]*

*[Practitioner's city and state]*

*[Date of practitioner's report]*

### **Example 2—Examination Report on an Assertion; Unmodified Opinion**

The following is an illustrative 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, which includes the subject matter and the criteria, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, presents the investment returns of XYZ Company for the year ended December 31, 20XX, 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 free from material misstatement. An examination includes 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 professional judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error, and involve examining evidence about management's assertion. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

In our opinion, XYZ Company's assertion that *[identify the assertion, which includes the subject matter and the criteria, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, presents the investment returns of XYZ Company for the year ended December 31, 20XX, 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—Examination Report in Which the Practitioner Examines Management’s Assertion and Reports Directly on the Subject Matter; Unmodified Opinion**

The following is an illustrative 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, which includes the subject matter and the criteria, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX, presents the investment returns of XYZ Company for the year ended December 31, 20XX, 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 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 conformity with the criteria referenced above. An examination includes performing procedures to obtain evidence about whether *[identify the subject matter, for example, the schedule of investment returns]* is in conformity with the criteria referenced above. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involve examining evidence about *[identify the subject matter, for example, the schedule of investment returns]*. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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

In our opinion, the schedule referred to above presents, fairly, in all material respects, *[identify the subject matter, for example, the investment returns of XYZ Company for the year ended December 31, 20XX]*, 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—Examination Report on Subject Matter; Unmodified Opinion; Use of Report Is Restricted to Specified Parties**

This is an examination report for an 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. (See paragraph 2.52[i] for the information to be included in a separate report paragraph that contains an alert that restricts the use of the report.) 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, that the number of widgets sold by XYZ 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 *[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, the number of widgets sold]*. Our responsibility is to express an opinion 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 free from material misstatement, based on the criteria referenced above. An examination includes performing procedures to obtain evidence about whether *[identify the subject matter, for example, the number of widgets sold, tons of coal mined, or gallons of gas sold]* is in conformity with the criteria referenced above. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involve examining evidence about *[identify the subject matter, for example, the number of widgets sold, tons of coal mined, or gallons of gas sold]*. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

*[Additional paragraph(s) may be added to emphasize certain matters 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 (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 all material respects, in accordance with *[identify the criteria, for example, the agreement dated (date) between ABC Company and XYZ Company, as further described in Note 1]*.

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—Examination Report on Subject Matter; Qualified Opinion**

The following is an examination report with a qualified opinion because conditions exist that, individually or in combination, result in one or more material misstatements of the subject matter (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 2.59 states, “If conditions exist that, individually or in combination, result in one or more material misstatements or deviations from the criteria, the practitioner should modify the report 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]*, 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, the schedule of investment returns]*. Our responsibility is to express an opinion 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 free from material misstatement, based on the criteria referenced above. An examination includes performing procedures to obtain evidence about whether *[identify the subject matter, for example, the schedule of investment returns]* is in conformity with the *[identify the criteria]*. The nature, timing, and extent of the procedures selected depend on our professional judgment, including an assessment of the risks of material misstatement, whether due to fraud or error, and involve examining evidence about *[identify the subject matter, for example, the schedule of investment returns]*. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

*[Additional paragraph(s) may be added to emphasize certain matters 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, the schedule referred to above presents fairly, in all material respects, *[identify the subject matter, for example, the investment returns of XYZ Company for the year ended December 31, 20XX]*, 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 6—Examination Report; Practitioner Engaged to Report on Subject Matter; Disclaimer of Opinion Because of Scope Limitation**

The following is an examination report in which the practitioner was engaged to report on the subject matter but is disclaiming an opinion because of a scope limitation. (See paragraphs 2.55[a] and 2.56–2.57 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]*, based on *[identify the criteria, for example, the ABC criteria set forth in Note 1]*. XYZ Company is responsible for *[identify the subject matter, for example, the schedule of investment returns]*.

*[Scope paragraph is omitted.]*

*[Include 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 the schedule referred to above presents fairly, in all material respects, *[identify the subject matter, for example, the investment returns of XYZ Company for the year ended December 31, 20XX]*, 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]*

**Chapter 3—Review Engagements**

**Requirements**

**Application Guidance**

**Introduction**

**3.1.** This chapter contains performance and reporting requirements and application guidance for all review engagements. The requirements and guidance in this chapter supplement the requirements and guidance in chapter 1, “Concepts Common to All Attestation Engagements,” of this proposed Statement on Standards for Attestation Engagements (SSAE). The SSAEs are also commonly referred to as the attestation standards.

**Effective Date**

**3.2.** This chapter is effective for review engagements for which the subject matter or assertion is as of or for a period ending on or after [date], unless otherwise indicated.

**Objectives**

- 3.3.** In conducting a review engagement, the objectives of the practitioner are to
- a. obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in conformity with the criteria;
  - b. express a conclusion in a written report about whether any material modifications should be made to
    - i. the subject matter in order for it to be in conformity with the criteria or
    - ii. the assertion in order for it to be fairly stated; and
  - c. communicate further as required by relevant chapters of the attestation standards.

**Definition**

**3.4.** For purposes of this chapter and other chapters of the attestation standards, unless indicated to the contrary, the following term has the meaning attributed below:

**Review evidence.** Information used by the practitioner in obtaining limited assurance on which the practitioner’s review report is based. Evidence includes both information contained in relevant information systems, if any,

**Chapter 3—Review Engagements**

Requirements	Application Guidance
and other information.	
<b>Requirements</b>	
<p><b>Conduct of a Review Engagement</b></p> <p><b>3.5.</b> In performing a review engagement, the practitioner should comply with this chapter, chapter 1 of this proposed SSAE, and any subject-matter specific chapters of the attestation standards that are relevant to the engagement. A subject-matter specific chapter is relevant to the engagement when it is in effect and the circumstances addressed by the chapter exist.</p> <p><b>3.6.</b> The practitioner should consider whether the nature of review procedures would enable the practitioner to obtain sufficient appropriate review evidence to obtain limited assurance. (Ref: par. 3.A1)</p> <p><b>3.7.</b> A practitioner should not perform a review 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. (Ref: par. 3.A1)</li> </ul>	<p><b>Conduct of a Review Engagement</b></p> <p><b>3.A1.</b> Review procedures primarily consist of inquiries and analytical procedures. In circumstances in which inquiry and analytical procedures are not expected to provide sufficient appropriate review evidence, or when the nature of the subject matter does not lend itself to the application of analytical procedures, the practitioner may perform other procedures that he or she believes can provide the practitioner with a level of assurance equivalent to that which inquiries and analytical procedures would have provided. If the practitioner cannot design other procedures to obtain sufficient appropriate review evidence, a review engagement may not be appropriate. (Ref: par. 3.6–3.7)</p>
<p><b>Agreeing on the Terms of the Engagement</b></p> <p><b>3.8.</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. 3.A2)</p>	<p><b>Agreeing on the Terms of the Engagement</b></p> <p><b>3.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 contract will vary with the engagement circumstances. (Ref: par. 3.8)</p>
<p><b>3.9.</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. 3.A3)</li> <li>c. The responsibilities of the responsible party and the responsibilities of the engaging party, if different</li> <li>d. A statement that a review is substantially less in scope than an</li> </ul>	<p><b>3.A3.</b> A practitioner may further describe the responsibilities of the practitioner by adding the following items to the written agreement:</p> <ul style="list-style-type: none"> <li>a. Complying with the attestation standards</li> <li>b. Obtaining limited assurance about whether any material modifications should be made to the subject matter in order for it to be in conformity with the criteria</li> </ul>

**Chapter 3—Review Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>examination, the objective of which is to obtain reasonable assurance about whether the subject matter or assertion is free from material misstatement in order to express an opinion, and that, accordingly, the practitioner will not express such an opinion</p> <p><i>e.</i> Identification of the applicable criteria for the measurement, evaluation, or disclosure of the subject matter</p> <p><i>f.</i> An acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement</p>	<p><i>c.</i> Expressing a conclusion in a written report about whether, based on the procedures performed, the practitioner is aware of any material modifications that should be made to</p> <p style="padding-left: 40px;"><i>i.</i> the subject matter in order for it be in conformity with the criteria or</p> <p style="padding-left: 40px;"><i>ii.</i> the assertion in order for it to be fairly stated (Ref: par. 3.9[b])</p>
<p><b>3.10.</b> The practitioner should assess whether circumstances require the terms of a preceding engagement need to be revised. 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 engagement, and the reminder should be documented. (Ref: par. 3.A4)</p>	<p><b>3.A4.</b> Although an engagement may recur, each engagement is still considered a separate engagement. (Ref: par. 3.10)</p>
<p><b>Obtaining a Written Assertion</b></p> <p><b>3.11.</b> A practitioner may report on a written assertion about the subject matter or may report directly on the subject matter. In either case, the practitioner should obtain from the responsible party a written assertion about the measurement or evaluation of the subject matter against the applicable criteria. (Ref: par. 3.A5)</p>	<p><b>Obtaining a Written Assertion</b></p> <p><b>3.A5.</b> Situations may arise in which the current responsible party was not present during some or all of the period referred to in the practitioner’s report. Such persons may assert that they are not in a position to provide a written assertion that covers the entire period because they were not in place during some or all of the period. This fact, however, does not diminish such persons’ responsibilities for the subject matter as a whole. Accordingly, the requirement for the practitioner to obtain a written assertion from the responsible party that covers the entire relevant period(s) still applies. (Ref: par. 3.11)</p>
<p><b>Planning and Performing the Engagement</b></p> <p><b>3.12.</b> The practitioner should set the scope, timing, and direction of the engagement and determine the nature, timing, and extent of the planned procedures that are required to be carried out in order to achieve the objectives of the engagement. (Ref: par. 3.A6–3.A9)</p>	<p><b>Planning and Performing the Engagement</b></p> <p><b>3.A6.</b> Planning involves the engagement partner and other key members of the engagement team and may involve the practitioner’s specialists. Adequate planning helps to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis, and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner in properly assigning work to engagement team members, and facilitates their direction and supervision and the review of their work. Further, it assists, when applicable, the coordination of work performed by other practitioners and specialists. The nature</p>

**Chapter 3—Review Engagements**

**Requirements**

**Application Guidance**

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:

- The characteristics of the engagement that define its scope, including the terms of the engagement, the characteristics of the underlying subject matter, and the applicable criteria
- The expected timing and the nature of the communications required
- The results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the appropriate party(ies) is relevant
- The engagement process, including possible sources of review evidence, and choices among alternative measurement or evaluation methods
- The practitioner’s understanding of the appropriate party(ies) and their environment, including the risks that the subject matter may be materially misstated
- Identification of intended users and their information needs consideration of materiality and the components of attestation risk
- How the risk of fraud is relevant to the engagement
- The impact of using the internal audit function on the engagement (Ref: par. 3.12)

**3.A7.** 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 required in order not to compromise 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. (Ref:

**Chapter 3—Review Engagements**

Requirements	Application Guidance
	<p>par. 3.12)</p> <p><b>3.A8.</b> Planning is not a discrete phase, but rather a continual and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or review evidence obtained, the practitioner may need to revise the engagement plan and, thereby, the resulting nature, timing, and extent of planned procedures. (Ref: par. 3.12)</p> <p><b>3.A9.</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. Establishing the engagement plan in such cases 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. For example, when engagements are similar from year to year, the practitioner may begin to develop an engagement strategy for the next period at the completion of the previous period, based on a review of the working papers, noting issues identified in the engagement just completed. The practitioner also may update the strategy in the current period based on discussions with the responsible party. (Ref: par. 3.12)</p>
<p><b>3.13.</b> The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to design and perform procedures in order to achieve the objectives of the engagement. That understanding should include the practices used to measure, recognize, and record the subject matter. (Ref: par.3.A10)</p>	<p><b>3.A10.</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</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 for use when performing analytical procedures.</li> </ul>

**Chapter 3—Review Engagements**

Requirements	Application Guidance
	<ul style="list-style-type: none"> <li>• designing and performing procedures.</li> <li>• evaluating review evidence, including the reasonableness of the written representations received by the practitioner.</li> </ul> <p>In some review engagements the practitioner may obtain an understanding of internal control over the measurement, evaluation, or disclosure of the subject matter. (Ref: par. 3.13)</p>
<p><b>Materiality in Planning and Performing the Engagement</b></p> <p><b>3.14.</b> The practitioner should consider materiality when</p> <ul style="list-style-type: none"> <li>• planning and performing the review engagement, including when determining the nature, timing, and extent of procedures.</li> <li>• 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 conformity with the criteria. (Ref: par. 3.A11–3.A16)</li> </ul>	<p><b>Materiality in Planning and Performing the Engagement</b></p> <p><b>3.A11.</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. (Ref: par. 3.14)</p> <p><b>3.A12.</b> Professional judgments about materiality are made in light of surrounding circumstances, but they are not affected by the type of engagement, that is, for the same intended users, materiality for a review engagement is the same as it is for an examination engagement because materiality is based on the information needs of intended users. (Ref: par. 3.14)</p> <p><b>3.A13.</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 reviewed to appropriate levels of materiality and have an understanding of any materiality concepts included in the applicable 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</li> </ul>

**Chapter 3—Review Engagements**

**Requirements**

**Application Guidance**

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. (Ref: par. 3.14)

**3.A14.** Qualitative factors may include the following:

- The interaction between, and relative importance of, various aspects of the subject matter, such as numerous performance indicators
- The wording chosen with respect to subject matter that is expressed in narrative form
- The characteristics of the presentation adopted for the subject matter when the applicable criteria allow for variations in that presentation
- The nature of a misstatement
- Whether a misstatement affects compliance with laws or regulations
- In the case of periodic reporting on a subject matter, the effect of an adjustment that affects past or current information about the subject matter or is likely to affect future information about the subject matter
- Whether a misstatement is the result of an intentional act or is unintentional
- Whether a misstatement is significant with regard to the practitioner’s understanding of known previous communications to users, for example, in relation to the expected outcome of the measurement or evaluation of the subject matter
- Whether a misstatement relates to the relationship between the responsible party and, if different, the engaging party or its relationship with other parties (Ref: par. 3.14)

**3.A15.** Quantitative factors relate to the magnitude of misstatements relative to reported amounts for those aspects of the subject matter, if any, that are

- expressed numerically or

**Chapter 3—Review Engagements**

Requirements	Application Guidance
	<ul style="list-style-type: none"> <li>• otherwise related to numerical values. (Ref: par. 3.14)</li> </ul> <p><b>3.A16.</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 3.A13–3.A15. If the applicable criteria do not include a discussion of the concept of materiality, these paragraphs provide the practitioner with a frame of reference. (Ref: par. 3.14)</p>
<p><b>Procedures to be Performed</b></p> <p><b>3.15.</b> The practitioner should apply professional judgment in determining the specific nature, timing, and extent of review procedures. Based on</p> <ul style="list-style-type: none"> <li>a. the practitioner’s understanding of             <ul style="list-style-type: none"> <li>i. the subject matter and the practices used by the responsible party to measure, recognize, and record the subject matter; and</li> <li>ii. the engagement circumstances and</li> </ul> </li> <li>b. the practitioner’s awareness of the risk that the practitioner may unknowingly fail to modify the practitioner’s review report when the subject matter is materially misstated,</li> </ul> <p>the practitioner should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to accumulate review evidence in obtaining limited assurance about whether, based on the procedures performed, any material modifications should be made to the subject matter in order for it to be in conformity with the criteria. (Ref: par. 3.A17–3.A20)</p>	<p><b>Procedures to be Performed</b></p> <p><b>3.A17.</b> Review evidence obtained through the performance of analytical procedures and inquiry will ordinarily provide the practitioner with a reasonable basis for obtaining limited assurance. However, the practitioner may determine it is appropriate to perform additional procedures if the practitioner determines such procedures to be necessary in order to meet the objectives of this chapter. (Ref: par. 3.15)</p> <p><b>3.A18.</b> The degree to which procedures beyond analytical procedures and inquiry may be performed may be influenced by factors specific to the engagement. The practitioner may substitute other procedures that provide equivalent levels of review evidence. (Ref: par. 3.15)</p> <p><b>3.A19.</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 review evidence obtained may cause the practitioner to perform additional procedures. Such procedures may include asking the responsible party to examine the matter identified by the practitioner and to make adjustments to the subject matter, if appropriate. (Ref: par. 3.15)</p> <p><b>3.A20.</b> In some cases, a subject-matter specific chapter may include requirements that affect the nature, timing, and extent of procedures. For example, a subject-matter specific chapter may describe the nature or extent of particular procedures to be performed or the level of assurance expected to be obtained in a particular type of engagement. Even in such cases, determining the exact nature, timing, and extent of procedures is a matter of professional</p>

**Chapter 3—Review Engagements**

Requirements	Application Guidance
	judgment and will vary from one engagement to the next. (Ref: par. 3.15)
<p><b>3.16.</b> Analytical procedures may not be possible when the subject matter is qualitative rather than quantitative. In those circumstances the practitioner should perform other procedures, in addition to inquiries, that provide equivalent levels of review evidence. (Ref: par. 3.A21 )</p>	<p><b>3.A21.</b> Review procedures primarily consist of inquiries and analytical procedures. In circumstances in which inquiry and analytical procedures are not expected to provide sufficient appropriate review evidence, or when the nature of the subject matter does not lend itself to the application of analytical procedures, the practitioner may perform other procedures that he or she believes can provide the practitioner with a level of assurance equivalent to that which inquiries and analytical procedures would have provided. If the practitioner cannot design other procedures to obtain sufficient appropriate review evidence, a review engagement may not be appropriate. (Ref: par. 3.16)</p>
<p><b>3.17.</b> The practitioner should place increased focus in those areas in which the practitioner believes increased risks of material misstatements exist. (Ref: par. 3.A22–3.A23)</p>	<p><b>3.A22.</b> The results of the practitioner’s analytical procedures and inquiries may modify the practitioner’s risk awareness. (Ref: par. 3.17).</p> <p><b>3.A23.</b> The practitioner may become aware of a matter(s) that causes the practitioner to believe the subject matter may be materially misstated when, for example, performing analytical procedures if the practitioner identifies 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 responsible party or performing other procedures as appropriate in the circumstances. (Ref: par. 3.17)</p>
<p><b>Analytical Procedures</b></p> <p><b>3.18.</b> When designing and performing analytical procedures, the practitioner should</p> <ul style="list-style-type: none"> <li>a. determine the suitability of particular analytical procedures for the subject matter, taking account of 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, and controls over their preparation; and</li> <li>c. develop an expectation with respect to recorded quantities or ratios. (Ref: par. 3.A24–3.A25)</li> </ul>	<p><b>Analytical Procedures</b></p> <p><b>3.A24.</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. (Ref: par. 3.18)</p> <p><b>3.A25.</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. (Ref: par. 3.18)</p>

**Chapter 3—Review Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p><b>3.19.</b> If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected values, the practitioner should</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. (Ref: par. 3.A26)</li> </ul>	<p><b>3.A26.</b> Analytical procedures in a review engagement are not designed to identify misstatements with the level of precision expected in an examination engagement. Further, when significant fluctuations, relationships, or differences are identified, appropriate review 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 as is required in the case of an examination engagement. (Ref: par. 3.19)</p>
<p><b>Inquiries and Other Review Procedures</b></p> <p><b>3.20.</b> The practitioner should inquire of the responsible party concerning the following:</p> <ul style="list-style-type: none"> <li>a. Whether the subject matter has been prepared in conformity with the criteria</li> <li>b. The practices used by the responsible party to measure, recognize, and record the subject matter</li> <li>c. Questions that have arisen in the course of applying the review procedures</li> <li>d. Communications from regulatory agencies, if relevant (Ref: par. 3.A27)</li> </ul>	<p><b>Inquiries and Other Review Procedures</b></p> <p><b>3.A27.</b> The practitioner is not ordinarily required to corroborate the responsible party’s responses with other review evidence. (Ref: par. 3.20)</p>
<p><b>3.21.</b> The practitioner should consider the reasonableness and consistency of the responsible party’s responses in light of the results of other review procedures and the practitioner’s knowledge of the subject matter, criteria, and responsible party.</p>	
<p><b>Fraud, Laws, and Regulations</b></p> <p><b>3.22.</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>	<p><b>Fraud, Laws, and Regulations</b></p>
<p><b>3.23.</b> The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws and regulations identified during the engagement. (Ref: par. 3.A28–3.A29)</p>	<p><b>3.A28.</b> In responding to fraud or suspected fraud identified during the engagement, it may be appropriate for the practitioner to, for example,</p> <ul style="list-style-type: none"> <li>• discuss the matter with the responsible party.</li> <li>• request that the responsible party consult with an appropriately qualified</li> </ul>

**Chapter 3—Review Engagements**

Requirements	Application Guidance
	<p>third party, such as the entity’s legal counsel or a regulator.</p> <ul style="list-style-type: none"> <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. (Ref: par. 3.23)</li> </ul> <p><b>3.A29.</b> The actions noted in the preceding paragraph may be appropriate in responding to noncompliance or suspected noncompliance with laws and regulations identified during the engagement. It may also be appropriate to describe the matter in an explanatory paragraph in the practitioner’s report, unless the practitioner</p> <ul style="list-style-type: none"> <li><i>a.</i> is precluded by the responsible party from obtaining sufficient appropriate review evidence to evaluate whether noncompliance that may be material to the subject matter has, or is likely to have, occurred in which case paragraph 3.47 applies or</li> <li><i>b.</i> concludes that the noncompliance materially misstates the subject matter in which case paragraphs 3.47–3.51 apply. (Ref: par. 3.23)</li> </ul>
<p><b>Incorrect, Incomplete, or Otherwise Unsatisfactory Information</b></p> <p><b>3.24.</b> During the performance of review procedures, if the practitioner becomes aware that information coming to the practitioner’s attention is incorrect, incomplete, or otherwise unsatisfactory, the practitioner should request that the responsible party consider the effect of these matters on the subject matter and communicate the results of its consideration to the practitioner. The practitioner should consider the results communicated to the practitioner by the responsible party and the potential effect, if any, on the practitioner’s review report.</p>	
<p><b>3.25.</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 modifications should be made to the subject matter in order for it to be in conformity with the criteria.</p>	
<p><b>Using the Work of a Practitioner’s Specialist, Internal Auditors, or Other</b></p>	

**Chapter 3—Review Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p><b>Practitioners</b></p> <p><b>3.26.</b> When the practitioner expects to use the work of a practitioner’s specialist, internal auditors, or other practitioners, the practitioner should apply the requirements in chapter 2, “Examination Engagements,”<sup>1</sup> of this proposed SSAE and the related application guidance, as appropriate, for a review engagement.</p>	
<p><b>Evaluating the Results of Review Procedures</b></p> <p><b>3.27.</b> The practitioner should accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: par. 3.A30)</p>	<p><b>3.A30.</b> Uncorrected misstatements are accumulated during the engagement for the purpose of evaluating whether, individually or in aggregate, they are material when forming the practitioner’s conclusion. (See paragraph 3.40[b].) (Ref: par. 3.27)</p>
<p><b>3.28.</b> The practitioner should evaluate the sufficiency and appropriateness of the review evidence obtained in the context of the engagement and, if necessary, attempt to obtain further review evidence. The practitioner should consider all relevant review evidence, regardless of whether it appears to corroborate or to contradict the measurement or evaluation of the subject matter against the applicable criteria. (Ref: par. 3.A31–3.A33)</p>	<p><b>3.A31.</b> Sufficient appropriate review evidence is necessary to support the practitioner’s conclusion and review report. (Ref: par. 3.28)</p> <p><b>3.A32.</b> The sufficiency and appropriateness of review evidence are interrelated. Sufficiency of review evidence is the measure of the quantity of review evidence. The quantity of the review evidence needed is affected by the risks of material misstatement and also by the quality of such review evidence. (Ref: par. 3.28)</p> <p><b>3.A33.</b> Whether sufficient appropriate review evidence has been obtained on which to base the practitioner’s conclusion is a matter of professional judgment. (Ref: par. 3.28)</p>
<p><b>3.29.</b> If the practitioner is unable to obtain review evidence sufficient for limited assurance, or if the practitioner concludes that the subject matter is materially misstated, the practitioner should consider the implications for the practitioner’s conclusion in paragraphs 3.46–3.51.</p>	
<p><b>Considering Subsequent Events and Subsequently Discovered Facts</b></p> <p><b>3.30.</b> When relevant to the engagement, the practitioner should consider the effect on the subject matter or assertion and the practitioner’s report of events occurring subsequent to the period (or point in time) covered by the review engagement up to the date of the practitioner’s report. The extent of the</p>	<p><b>3.A34.</b> For certain subject matter, specific subsequent events requirements and related application guidance have been developed for engagement performance and reporting. (Ref: par. 3.30)</p>

<sup>1</sup> Paragraphs 2.33–2.36.

**Chapter 3—Review Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p>practitioner’s consideration of these subsequent events depends on the potential for such events to affect the subject matter or assertion and to affect the appropriateness of the practitioner’s conclusion. (Ref: par. 3.A34–3.A36)</p>	<p><b>3.A35.</b> In considering subsequent events, the practitioner may inquire</p> <ul style="list-style-type: none"> <li>• whether the responsible party is aware of any subsequent events that could have a significant effect on the subject matter or assertion.</li> <li>• about other relevant documents for the subsequent period or inspect such documents. (Ref: par. 3.30)</li> </ul> <p><b>3.A36.</b> If the responsible party refuses to disclose a subsequent event for which disclosure is necessary to prevent report users from being misled, other appropriate actions the practitioner may take include</p> <ul style="list-style-type: none"> <li>• disclosing the event in the practitioner’s report and modifying the practitioner’s report and</li> <li>• withdrawing from the engagement. (Ref: par. 3.30)</li> </ul>
<p><b>3.31.</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 practitioner’s report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the practitioner’s report. (Ref: par. 3.A37–3.A38)</p>	<p><b>3.A37.</b> Subsequent to the date of the release 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 practitioner’s report. In such circumstances, the practitioner undertakes to determine whether the facts existed at the date of the practitioner’s report and, if so, whether persons are currently using or likely to use the practitioners’ report and related subject matter or assertion who would attach importance to these facts. This may include discussing the matter with the engaging party or responsible party and requesting its cooperation in whatever investigation or further action that may be necessary. The specific actions to be taken by the practitioner in a particular case may vary with the circumstances. Consideration may be given to, among other things, the time elapsed since the period (or point in time) covered by the engagement and the date the practitioner’s report was released. 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. (Ref: par. 3.31)</p> <p><b>3.A38.</b> Depending on the circumstances, the practitioner may determine that notification of the situation by the engaging party to persons who are currently using or likely to use the practitioners’ report who would attach importance to the facts is necessary. This may be the case, for example, when the practitioner’s report is not to be relied upon because the subject matter or assertion need revision or the practitioner is unable to determine whether revision is necessary</p>

**Chapter 3—Review Engagements**

**Requirements**

**Application Guidance**

and when issuance of a subsequent report is not imminent. If the engaging party failed to take the necessary steps to prevent reliance on the practitioner’s report, the practitioner’s course of action depends upon the practitioner’s legal and ethical rights and obligations. Consequently, the practitioner may consider it appropriate to seek legal advice prior to making any disclosure of the situation. Disclosure of the situation directly by the practitioner may include a description of the nature of the matter and of its effect on the subject matter or assertion and the practitioner’s report, avoiding comments concerning the conduct or motives of any person. (Ref: par. 3.31)

**Written Representations**

**3.32.** The practitioner should request from the responsible party, written representations in the form of a letter addressed to the practitioner. The representations should

- a. state that the subject matter is based on or in conformity with the criteria selected and that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion,
- b. state that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies affecting the subject matter or assertion have been disclosed to the practitioner,
- c. acknowledge responsibility for
  - i. the subject matter and the assertion;
  - ii. selecting the criteria, when applicable; and
  - iii. determining that such criteria are appropriate, for its purposes.
- d. state that any known events subsequent to the period (or point in time) of the subject matter being reported on that would have a material effect on the subject matter or assertion have been disclosed to the practitioner.
- e. state that it has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement. 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. 3.A41)

**Written Representations**

**3.A39.** Written confirmation of oral representations reduces the possibility of misunderstandings between the practitioner and the responsible party. The person(s) from whom the practitioner requests written representations is ordinarily a member of senior management or those charged with governance depending on, for example, the management and governance structure of the responsible party(ies), which may vary by entity, reflecting influences such as size and ownership characteristics (Ref: par. 3.32)

**3.A40.** Representations by the responsible party cannot replace other review evidence the practitioner could reasonably expect to be available. Although written representations provide necessary review evidence, they do not provide sufficient appropriate review evidence on their own about any of the matters with which they deal. Furthermore, the fact that the practitioner has received reliable written representations does not affect the nature or extent of other review evidence that the practitioner obtains. (Ref: par. 3.32)

**3.A41.** A summary of uncorrected misstatements ordinarily is included in or attached to the written representation. (Ref: par. 3.32[f])

**Chapter 3—Review Engagements**

Requirements	Application Guidance
<p><i>f.</i> if applicable, state that significant assumptions used in making any material estimates are reasonable.</p> <p><i>g.</i> state that the responsible party has disclosed to the practitioner</p> <ul style="list-style-type: none"> <li><i>i.</i> all significant 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>(Ref: par. 3.A39–3.A41)</p>	
<p><b>3.33.</b> When the engaging party is not the responsible party, the practitioner should</p> <ul style="list-style-type: none"> <li><i>a.</i> request written representations, in addition to those requested from the responsible party, from the engaging party in the form of a letter addressed to the practitioner. The representations should <ul style="list-style-type: none"> <li><i>i.</i> acknowledge the engaging party’s responsibility for selecting the criteria, when applicable;</li> <li><i>ii.</i> acknowledge the engaging party’s responsibility for determining that such criteria are appropriate for its purposes;</li> <li><i>iii.</i> state that the engaging party is not aware of any material deviations from the criteria;</li> <li><i>iv.</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;</li> <li><i>v.</i> acknowledge that the responsible party is responsible for the subject matter and assertion; and</li> <li><i>vi.</i> address other matters as the practitioner deems appropriate.</li> </ul> </li> <li><i>b.</i> if the responsible party refuses to provide the representations in paragraph 3.32 in writing, make inquiries of the responsible party about,</li> </ul>	

**Chapter 3—Review Engagements**

Requirements	Application Guidance
and seek oral responses to, the matters in paragraph 3.32.	
<p><b>3.34.</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 review evidence obtained, including other representations (oral or written), 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>3.35.</b> The date of the written representations should be as of the date of the review report. The written representations should address the subject matter and periods referred to in the practitioner’s report.</p>	
<p><b>Requested Written Representations Not Provided or Not Reliable</b></p> <p><b>3.36.</b> If, when the engaging party and the responsible party are the same, 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 practitioner should</p> <ul style="list-style-type: none"> <li><i>a.</i> discuss the matter with the appropriate party;</li> <li><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 review evidence in general; and</li> <li><i>c.</i> take appropriate action.</li> </ul>	
<p><b>3.37.</b> When the engaging party is different than the responsible party,</p> <ul style="list-style-type: none"> <li><i>a.</i> if one or more of the requested representations are not provided in writing by the responsible party, but the practitioner receives satisfactory</li> </ul>	

**Chapter 3—Review Engagements**

Requirements	Application Guidance
<p>responses to the practitioner’s inquiries performed in accordance with paragraph 3.33(b) sufficient to enable the practitioner to conclude that the practitioner has sufficient review evidence to form a conclusion about the subject matter, the review report should contain an alert paragraph that restricts the use of the report to the engaging party.</p> <p><i>b.</i> if one or more of the requested representations are not provided in writing or orally from the responsible party in accordance with paragraph 3.33(b), a scope limitation exists, and the practitioner should withdraw.</p>	
<p><b>Other Information</b></p> <p><b>3.38.</b> If prior to or after the release of the practitioner’s review report on subject matter or an assertion, the practitioner decides to permit the inclusion of the practitioner’s review report in a document that contains the subject matter or assertion and other information, the practitioner should read that other information to identify material inconsistencies, if any, with the subject matter, assertion, or the review report. If on reading that other information, the practitioner</p> <p><i>a.</i> identifies a material inconsistency between that other information and the subject matter, assertion, or the review report; or</p> <p><i>b.</i> becomes aware of a material misstatement of fact in that other information, the subject matter, assertion, or the review report,</p> <p>the practitioner should discuss the matter with the responsible party and take further action as appropriate. (Ref: par. 3.A42–3.A43)</p>	<p><b>Other Information</b></p> <p><b>3.A42.</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(ies) to consult with a qualified third party, such as the appropriate party(ies)’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 review report</li> <li>• Withdrawing from the engagement, when withdrawal is possible under applicable laws or regulations</li> </ul> <p>(Ref: par. 3.38)</p> <p><b>3.A43.</b> Other information does not include information contained on the appropriate party(ies)’s website. Websites are a means of distributing information and are not, themselves, documents for the purposes of paragraph 3.38. (Ref: par. 3.38)</p>
<p><b>Description of Applicable Criteria</b></p> <p><b>3.39.</b> The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the applicable criteria. (Ref: par. 3.A44–3.A45)</p>	<p><b>Description of Applicable Criteria</b></p> <p><b>3.A44.</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</p>

**Chapter 3—Review Engagements**

Requirements	Application Guidance
	<p>matter. (Ref: par. 3.39)</p> <p><b>3.A45.</b> A description of the criteria that states that the subject matter is prepared in accordance with particular criteria is appropriate only if the subject matter complies with all relevant requirements of those criteria that are effective. (Ref: par. 3.39)</p>
<p><b>Forming the Conclusion</b></p> <p><b>3.40.</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 conformity with the criteria. In forming that conclusion, the practitioner should evaluate</p> <ul style="list-style-type: none"> <li>a. the practitioner’s conclusion regarding the sufficiency and appropriateness of the review evidence obtained and</li> <li>b. whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. 3.A46–3.A47)</li> </ul>	<p><b>Forming the Conclusion</b></p> <p><b>3.A46.</b> A review engagement is a cumulative and iterative process. As the practitioner performs planned procedures, the review evidence obtained may cause the practitioner to change the nature, timing, or extent of other planned procedures. Information, such as the following, may come to the practitioner’s attention that differs significantly from the information on which the planned procedures were based:</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> <li>• The practitioner may become aware of discrepancies in relevant information or conflicting or missing review 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. (Ref: par. 3.40)</li> </ul> <p><b>3.A47.</b> The practitioner’s professional judgment regarding what constitutes sufficient appropriate review 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</li> <li>• The effectiveness of the responsible party’s responses to address the known risks</li> <li>• The experience gained during previous examination or review engagements with respect to similar potential misstatements</li> </ul>

**Chapter 3—Review Engagements**

Requirements	Application Guidance												
	<ul style="list-style-type: none"> <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 review evidence</li> <li>• The practitioner’s understanding of the responsible party and its environment (Ref: par. 3.40)</li> </ul>												
<p><b>Preparing the Report</b></p> <p><b>3.41.</b> The report should be in writing. (Ref: par. 3.A48–3.A49)</p>	<p><b>Preparing the Report</b></p> <p><b>3.A48.</b> Oral and other forms of expressing a conclusion can be misunderstood without the support of a written report. For this reason, the practitioner may not report orally or by use of symbols 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 review report on the Internet. (Ref: par. 3.41)</p> <p><b>3.A49.</b> This chapter does not require a standardized format for reporting on all review engagements. Instead it identifies the basic elements that the review report is to include. Review reports are tailored to the specific engagement circumstances. The practitioner may use headings, paragraph numbers, typographical devices, for example, the bolding of text, and other mechanisms to enhance the clarity and readability of the review report. (Ref: par. 3.41)</p>												
<p><b>3.42.</b> 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 practitioner’s report. (Ref: par. 3.A50)</p>	<p><b>3.A50.</b> All of the following reporting options are available to a practitioner, except when the circumstances described in paragraphs 3.49–3.50 exist.</p> <table border="1"> <tr> <td><i>The practitioner may state in the scope paragraph that the practitioner reviewed</i></td> <td align="center">and</td> <td><i>State in the conclusion paragraph that the practitioner expresses a conclusion on</i></td> </tr> <tr> <td>the subject matter</td> <td></td> <td>the subject matter</td> </tr> <tr> <td>the responsible party’ s assertion</td> <td></td> <td>the responsible party’ s assertion</td> </tr> <tr> <td>the responsible party’ s assertion</td> <td></td> <td>the subject matter</td> </tr> </table> <p>(Ref: par. 3.42)</p>	<i>The practitioner may state in the scope paragraph that the practitioner reviewed</i>	and	<i>State in the conclusion paragraph that the practitioner expresses a conclusion 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 may state in the scope paragraph that the practitioner reviewed</i>	and	<i>State in the conclusion paragraph that the practitioner expresses a conclusion 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											
<b>Report Content</b>	<b>Report Content</b>												

**Chapter 3—Review Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
<p><b>3.43.</b> The practitioner’s review report should include the following:</p> <p><i>a.</i> A title that includes the word independent (Ref: par. 3.A51)</p> <p><i>b.</i> An appropriate addressee as required by the circumstances of the engagement</p> <p><i>c.</i> An identification or description of the subject matter 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</p>	<p><b>3.A51.</b> A title indicating that the review 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 of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner’s report from reports issued by others. (Ref: par. 3.43[a])</p>
<p><i>d.</i> An identification of the criteria against which the subject matter was measured or evaluated (Ref: par. 3.A52–3.A53)</p>	<p><b>3.A52.</b> The review report identifies the criteria against which the subject matter was measured or evaluated so the intended users can understand the basis for the practitioner’s conclusion. The review report may include the criteria or refer to them if they are included in the subject matter or assertion or are otherwise available from a readily accessible source. It may be relevant in the circumstances, to disclose</p> <ul style="list-style-type: none"> <li>• the source of the criteria.</li> <li>• the measurement or evaluation methods used when the criteria allow for choice between a number of methods.</li> <li>• any significant interpretations made in applying the criteria in the engagement circumstances.</li> <li>• whether there have been any changes in the measurement or evaluation methods used. (Ref: par. 3.43[d])</li> </ul> <p><b>3.A53.</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 report on comparative information). Criteria are clearly described when they identify the criteria for each period and how the criteria have changed from one period to the next. If the criteria for the current date or period have changed from the criteria for a preceding date or period, changes in the criteria may be significant to users of the report. If so, the criteria and the fact that they have changed may be disclosed in the presentation, in the written assertion, or in the practitioner’s report, even if the subject matter for the preceding date or period is not presented. (Ref: par. 3.43[d])</p>
<p><i>e.</i> A statement to identify</p>	<p><b>3.A54.</b> Identifying relative responsibilities informs the intended users that the responsible party is responsible for the subject matter, and the practitioner’s role</p>

**Chapter 3—Review Engagements**

Requirements	Application Guidance
<ul style="list-style-type: none"> <li>i. the responsible party and its responsibilities and</li> <li>ii. the practitioner’s responsibilities (Ref: par. 3.A54)</li> </ul>	<p>is to independently express a conclusion about it. (Ref: par. 3.43[e])</p>
<p><i>f.</i> A statement that</p> <ul style="list-style-type: none"> <li>i. the review 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 review to obtain limited assurance about whether any material modifications should be made to (1) the subject matter in order for it to be in conformity with the criteria or (2) the assertion in order for it to be fairly stated</li> <li>iii. a review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter or assertion is free from material misstatement, in order to express an opinion. Accordingly, the practitioner does not express such an opinion.</li> <li>iv. the practitioner believes the review provides a reasonable basis for the practitioner’s conclusion</li> <li>v. describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria (Ref: par. 3.A55)</li> </ul>	<p><b>3.A55.</b> The following is an example of an inherent limitations paragraph in a review report on pro forma financial information under chapter 6, “Reporting on Pro Forma Financial Information,” of the attestation standards:</p> <p style="padding-left: 40px;">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 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 earlier. (Ref: par. 3.43[f][v])</p>
<p><i>g.</i> The practitioner’s conclusion about whether, based on the review, the practitioner is aware of any material modifications that should be made to</p> <ul style="list-style-type: none"> <li>i. the subject matter in order for it be in conformity with the criteria or</li> <li>ii. the assertion in order for it to be fairly stated</li> </ul> <p>When the practitioner modifies the conclusion, the practitioner should include a paragraph in the practitioner’s report that provides a description of the matter[s] giving rise to the modification. (Ref: par. 3.A56–3.A68)</p>	<p><b>3.A56.</b> The language in paragraph 3.43(g) may need to be modified to reflect the nature of the subject matter and criteria or assertion for the engagement. The practitioner’s conclusion can be worded either in terms of the subject matter and the criteria (for example, “Based on our review, we are not aware of any material modifications that should be made to the XYZ schedule in order for it to be prepared, in conformity with the ABC criteria.”) or in terms of an assertion made by the responsible party (for example, “Based on our review, we are not aware of any material modifications that should be made to XYZ Company’s assertion.”). (Ref: par. 3.43[g])</p> <p><b>3.A57.</b> A single report may cover more than one aspect of a subject matter or an assertion about the subject matter. When that is the case, the practitioner’s report may contain separate opinions or conclusions on each aspect of the subject matter</p>

**Chapter 3—Review Engagements**

Requirements	Application Guidance
	or assertion (for example, examination level related to some aspects or assertions and review level related to others or an unqualified conclusion on some aspects or assertions and a qualified conclusion on others). (Ref: par. 3.43[g])
<p><i>h.</i> An alert in a separate paragraph that restricts the use of the report in the following circumstances:</p> <p><i>i.</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>ii.</i> The criteria used to evaluate the subject matter are available only to specified parties.</p> <p><i>iii.</i> When the responsible party is not the engaging party, and the responsible party does not provide written representations, the alert should</p> <p>(1) state that the report is intended solely for the information and use of the specified parties,</p> <p>(2) identify the specified parties for whom use is intended, and</p> <p>(3) state that the practitioner’s report is not intended to be and should not be used by anyone other than the specified parties.</p> <p>When the engagement is performed in accordance with government auditing standards, instead of including the information required by paragraph 3.43(h), the alert should</p> <p>(4) describe the purpose of the practitioner’s report and</p> <p>(5) state that the practitioner’s report is not suitable for any other purpose. (Ref: par. 3.A58–3.A62)</p>	<p><b>3.A58.</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 users of XYZ Service Organization’s system 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. (Ref: par. 3.43[h])</p> <p><b>3.A59.</b> A practitioner’s report that is required by paragraphs 3.43(h) 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. (Ref: par. 3.43[h])</p> <p><b>3.A60.</b> A practitioner may also issue a single combined report that includes (a) reports that are required by paragraph 3.43(h) to include an alert that restricts their use and (b) reports that are for general use. If these two types of reports are clearly differentiated within the combined communication, such as through the use of appropriate headers, the alert that restricts the use of the practitioner’s report may be limited to the report required by paragraph 3.43(h) to include such an alert. In such circumstances, the use of the general use report is not affected. (Ref: par. 3.43[h])</p> <p><b>3.A61.</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 readers of the report to this fact and that, therefore, the report is intended solely for the information and use of the specified parties. (Ref: par. 3.43[h])</p> <p><b>3.A62.</b> A practitioner is not responsible for controlling, and cannot control, distribution of the practitioner’s report after its release. The alert that restricts the use of the practitioner’s written report is designed to avoid misunderstandings related to the use of the practitioner’s written report, particularly if the practitioner’s written report is taken out of the context in which the practitioner’s written 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 practitioner’s written report is not intended for distribution to parties</p>

**Chapter 3—Review Engagements**

<b>Requirements</b>	<b>Application Guidance</b>
	other than those specified in the practitioner’s written 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 practitioner’s written report will be restricted and may obtain the responsible party’s agreement that the responsible party and specified parties will not distribute such practitioner’s report to parties other than those identified therein. (Ref: par. 3.43[h])
<p><i>i.</i> The manual or printed signature of the practitioner’s firm</p> <p><i>j.</i> The city and state where the practitioner practices</p>	
<p><i>k.</i> The date of the report (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate review evidence on which to base the practitioner’s conclusion, including that the responsible party has provided a written assertion.) (Ref: par. 3.A63–3.A64)</p>	<p><b>3.A63.</b> Including the date of the review report informs the intended users that the practitioner has considered the effect on the subject matter and on the review report of events that occurred up to that date. (Ref: par. 3.43[k])</p> <p><b>3.A64.</b> Because the practitioner’s conclusion is provided 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 review evidence has been obtained until evidence is obtained that all of 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. (Ref: par. 3.43[k])</p>
<p><b>Reference to the Practitioner’s Specialist</b></p> <p><b>3.44.</b> The practitioner should not refer to the work of a practitioner’s specialist in the practitioner’s review report containing an unmodified conclusion. (Ref: par. 3.A65)</p> <p><b>3.45.</b> When the review report 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. (Ref: par. 3.A65)</p>	<p><b>Reference to the Practitioner’s Specialist</b></p> <p><b>3.A65.</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. (Ref: par. 3.44-3.45)</p>

**Chapter 3—Review Engagements**

Requirements	Application Guidance
<p><b>Modified Conclusions</b></p> <p><i>Scope Limitations</i></p> <p><b>3.46.</b> If the practitioner is unable to obtain sufficient appropriate review evidence, including when the practitioner is unable to obtain a written assertion from the responsible party, a scope limitation exists. When a scope limitation exists, the practitioner should withdraw from the engagement. (The inability to obtain written representations from the responsible party ordinarily would result in a scope limitation; however, when the responsible party is not the engaging party, paragraph 3.37[b] enables the practitioner to make inquiries of the responsible party, and if the practitioner obtains satisfactory oral responses, the practitioner’s report would not contain a scope limitation) (Ref: par. 3.A67–3.A68)</p>	<p><b>Modified Conclusions</b></p> <p><i>Scope Limitations</i></p> <p><b>3.A66.</b> An inability to perform a specific procedure does not constitute a scope limitation if the practitioner is able to obtain sufficient appropriate review evidence by performing alternative procedures. (Ref: par. 3.46)</p> <p><b>3.A67.</b> The procedures performed in a review engagement are, by definition, limited compared with those performed in an examination engagement. Limitations known to exist prior to accepting a review engagement are a relevant consideration when establishing whether the preconditions for a review engagement are present, in particular, whether the engagement exhibits the characteristics of access to evidence. (See chapter 1.<sup>2</sup>) If a further limitation is imposed by the appropriate party(ies) after a review engagement has been accepted, it may be appropriate to withdraw from the engagement, when withdrawal is possible under applicable laws or regulations. (Ref: par. 3.46)</p> <p><b>3.A68.</b> An unmodified conclusion may only occur 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. (Ref: par. 3.43[g] and 3.46)</p>
<p><i>Misstatement of Subject Matter</i></p> <p><b>3.47.</b> A practitioner who is engaged to perform a review engagement may become aware that the subject matter is misstated. In this circumstance, the practitioner should consider whether modification of the standard review report is adequate to disclose the misstatement of the subject matter.</p> <p><b>3.48.</b> The practitioner should express a qualified conclusion when the effects of a matter are material but not pervasive. When the effects of a matter are material and also pervasive, the practitioner should withdraw from the engagement. A qualified conclusion is expressed as being “except for the effects” of the matter to which the qualification relates.</p> <p><b>3.49.</b> If the practitioner has concluded that the material misstatement results in</p>	

<sup>2</sup> Paragraph 1.25(b)(iii).

**Chapter 3—Review Engagements**

Requirements	Application Guidance
<p>a qualified conclusion, the practitioner should report directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.</p> <p><b>3.50.</b> If the practitioner believes that modification of the standard report is not adequate to indicate the misstatements in the subject matter, the practitioner should withdraw from the review engagement and provide no further services with respect to that subject matter.</p>	
<p><b>3.51.</b> 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.</p>	
<p><b>Documentation</b></p> <p><b>3.52.</b> The practitioner should prepare engagement documentation that is sufficient to determine</p> <ul style="list-style-type: none"> <li>a. the nature, timing, and extent of the procedures performed to comply with relevant chapters of the attestation standards and applicable legal and regulatory requirements, including <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 of findings or issues that, in the practitioner’s professional judgment, are significant (The significant findings or issues should be discussed with the responsible party and others. The documentation should include the nature of the significant findings or issues discussed and when and with whom the discussions took place); and</li> <li>iv. who reviewed the engagement work performed and the date and extent of such review.</li> </ul> </li> <li>b. the results of the procedures performed and the evidence obtained. (Ref: par. 3.A69–3.A72)</li> </ul>	<p><b>Documentation</b></p> <p><b>3.A69.</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. (Ref: par. 3.52)</p> <p><b>3.A70.</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, for example) compliance with matters for which compliance is demonstrated by documents included in the engagement file. Similarly, the practitioner need not include in the engagement file superseded drafts of working papers, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents. (Ref: par. 3.52)</p> <p><b>3.A71.</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 understanding of the work performed and the basis of the principal decisions made to another practitioner who has no previous experience with the engagement. (Ref: par. 3.52)</p> <p><b>3.A72.</b> Documentation ordinarily also includes a record of</p> <ul style="list-style-type: none"> <li>• issues identified with respect to compliance with relevant ethical</li> </ul>

**Chapter 3—Review Engagements**

Requirements	Application Guidance
	<p>requirements and how they were resolved.</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. (Ref: par. 3.52)</li> </ul>
<p><b>3.53.</b> If the practitioner identified information that is inconsistent with the practitioner’s final conclusion regarding a significant finding or issue, the practitioner should document how the practitioner addressed the inconsistency.</p> <p><b>3.54.</b> If, in circumstances such as those described in paragraph 3.31, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner’s report, the practitioner should document</p> <ol style="list-style-type: none"> <li>a. the circumstances encountered;</li> <li>b. the new or additional procedures performed, evidence obtained, and conclusions reached and their effect on the practitioner’s report; and</li> <li>c. when and by whom the resulting changes to the documentation were made and reviewed.</li> </ol>	

### 3.A73.

## Exhibit—Illustrative Review Reports

The illustrative review reports meet the applicable reporting requirements in paragraphs 3.41–3.51. A practitioner may use alternative language in drafting a review report, provided that the language meets the applicable requirements in paragraphs 3.41–3.51. The criteria for evaluating the subject matter in examples 1 and 3 have been determined by the practitioner to be suitable and available to all report users; therefore, this report may be for general use. The criteria for evaluating the subject matter in example 2 is suitable but available only to specified parties; therefore, use of this 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 3.41[h] for the information to be included in a separate report paragraph that contains an alert that restricts the use of the report.)

### Example 1—Review Report on Subject Matter; Unmodified Conclusion

The following is an illustrative review report in which the practitioner has reviewed the subject matter and is reporting on the subject matter.

#### Independent Accountant’s Report

*[Appropriate Addressee]*

We have reviewed *[identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*, 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, the schedule of investment returns]*. Our responsibility is to express a conclusion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to *[identify the subject matter, for example, the schedule of investment returns]* in order for it to be in conformity with the criteria referenced above. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether *[identify the subject matter, for example, the schedule of investment returns]* is free from material misstatement, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion. *[Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria.]* *[Additional paragraph(s) may be added to emphasize certain matters relating to the attestation engagement or the subject matter.]*

Based on our review, we are not aware of any material modifications that should be made to *[identify the subject matter, for example, the schedule of investment returns of XYZ Company for the year ended December 31, 20XX]*, in order for it be in conformity with *[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 2—Review Report on an Assertion; Unmodified Conclusion; Use of the Report Is Restricted to Specified Parties

The following is an illustrative review report in which the practitioner has reviewed 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 Report**

[Appropriate Addressee]

We have reviewed 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, presents the investment returns of XYZ Company for the year ended December 31, 20XX, based on the ABC criteria set forth in Note 1*]. XYZ Company’s management is responsible for its assertion. Our responsibility is to express a conclusion on management’s assertion based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to management’s assertion in order for it to be fairly stated. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether management’s assertion is free from material misstatement in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion. [*Include a description of significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria.*]

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

Based on our review, we are not aware of any material modifications that should be made to XYZ Company’s assertion.

This report is intended solely for the information and use of [*identify the specified parties*] 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—Review Report on Subject Matter; Qualified Conclusion**

The following is a review report with a qualified conclusion because the review identified conditions that, individually or in combination, result in one or more material misstatements of the subject matter, based on the criteria. The practitioner has reviewed the subject matter and is also reporting on the subject matter. Paragraph 3.49 states, “If the practitioner has concluded that the material misstatement results in a qualified conclusion, the practitioner should report directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.”

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

[Appropriate Addressee]

We have reviewed [*identify the subject matter, for example, the accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*], 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, the schedule of investment returns*]. Our responsibility is to express an opinion based on our examination.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our review to obtain limited assurance about whether any material modifications should be made to [*identify the subject matter, for example, the schedule of investment returns*] in order for it to be in conformity with the criteria referenced above. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether [*identify the subject matter, for example, the*

*accompanying schedule of investment returns of XYZ Company for the year ended December 31, 20XX*], is free from material misstatement, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

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

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

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

Based on our review, except for the matter(s) described in the preceding paragraph, we are not aware of any material modifications that should be made to the *[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 conformity with *[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]*

3.A74

**Supplement—Comparison of Requirements for Examination and Review Engagements in the Proposed Statement on Standards for Attestation Engagements *Attestation Standards: Clarification and Recodification***

Requirements in Examination Engagements	Requirements in Review Engagements
<b>Requirements</b>	<b>Requirements</b>
<i>Conduct of an Examination Engagement</i>	<i>Conduct of a Review Engagement</i>
<p><i>Complying With Requirements</i></p> <p><b>2.4</b> In performing an examination engagement, the practitioner should comply with this chapter, chapter 1 of this proposed SSAE, and any subject-matter specific chapters of the attestation standards that are relevant to the engagement. A subject-matter specific chapter is relevant to the engagement when it is in effect and the circumstances addressed by the chapter exist.</p>	<p>3.5 In performing a review engagement, the practitioner should comply with this chapter, chapter 1 of this proposed SSAE, and any subject-matter specific chapters of the attestation standards that are relevant to the engagement. A subject-matter specific chapter is relevant to the engagement when it is in effect and the circumstances addressed by the chapter exist.</p>
	<p>3.6 The practitioner should consider whether the nature of review procedures would enable the practitioner to obtain sufficient appropriate review evidence to obtain limited assurance. (Ref: par. 3.A1)</p>
	<p>3.7 A practitioner should not perform a review 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. (Ref: par. 3.A1)</li> </ul>
<b>Agreeing on the Terms of the Engagement</b>	<b>Agreeing on the Terms of the Engagement</b>
<p><b>2.5</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. 2.A1)</p>	<p>3.8 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. 3.A2)</p>
<p><b>2.6</b> The agreed-upon terms of the engagement should include the following:</p>	<p>3.9 The agreed-upon terms of the engagement should include the following:</p>

Requirements in Examination Engagements	Requirements in Review Engagements
<ul style="list-style-type: none"> <li><i>a.</i> The objective and scope of the engagement</li> <li><i>b.</i> The responsibilities of the practitioner (Ref: par. 2.A2)</li> <li><i>c.</i> The responsibilities of the responsible party and the responsibilities of the engaging party, if different (Ref: par. 2.A3)</li> <li><i>d.</i> A statement about the inherent limitations of an examination engagement (Ref: par. 2.A4)</li> <li><i>e.</i> Identification of the applicable criteria for the measurement, evaluation, or disclosure of the subject matter</li> <li><i>f.</i> An acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement</li> </ul>	<ul style="list-style-type: none"> <li><i>a.</i> The objective and scope of the engagement</li> <li><i>b.</i> The responsibilities of the practitioner (Ref: par. 3.A3)</li> <li><i>c.</i> The responsibilities of the responsible party and the responsibilities of the engaging party, if different</li> <li><i>d.</i> A statement that a review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter or assertion is free from material misstatement in order to express an opinion, and that, accordingly, the practitioner will not express such an opinion</li> <li><i>e.</i> Identification of the applicable criteria for the measurement, evaluation, or disclosure of the subject matter</li> <li><i>f.</i> An acknowledgement that the engaging party agrees to provide the practitioner with a representation letter at the conclusion of the engagement</li> </ul>
<p><b>2.7</b> The practitioner should assess whether circumstances require the terms of a preceding engagement need to be revised. 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 engagement, and the reminder should be documented. (Ref: par. 2.A5)</p>	<p><b>3.10</b> The practitioner should assess whether circumstances require the terms of a preceding engagement need to be revised. 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 engagement, and the reminder should be documented. (Ref: par. 3.A4)</p>
<p><b>Obtaining a Written Assertion</b></p>	<p><b>Obtaining a Written Assertion</b></p>
<p><b>2.8</b> A practitioner may report on a written assertion about the subject matter or may report directly on the subject matter. In either case, the practitioner should obtain from the responsible party a written assertion about the measurement or evaluation of the subject matter against the applicable criteria. (Ref: par. 2.A6)</p>	<p><b>3.11</b> A practitioner may report on a written assertion about the subject matter or may report directly on the subject matter. In either case, the practitioner should obtain from the responsible party a written assertion about the measurement or evaluation of the subject matter against the applicable criteria. (Ref: par. 3.A5)</p>
<p><b>Planning and Performing the Engagement</b></p>	<p><b>Planning and Performing the Engagement</b></p>
<p><b>2.9</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. (Ref: par. 2.A7–2.A10)</p>	<p><b>3.12</b> The practitioner should set the scope, timing, and direction of the engagement and determine the nature, timing, and extent of the planned procedures that are required to be carried out in order to achieve the</p>

Requirements in Examination Engagements	Requirements in Review Engagements
<p><b>2.10</b> In establishing the overall engagement strategy, the practitioner should</p> <ul style="list-style-type: none"> <li><i>a.</i> 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><i>b.</i> consider the factors that, in the practitioner’s professional judgment, are significant in directing the engagement team’s efforts;</li> <li><i>c.</i> consider the results of preliminary engagement activities, such as client acceptance, and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and</li> <li><i>d.</i> ascertain the nature, timing, and extent of resources necessary to perform the engagement.</li> </ul>	<p>objectives of the engagement. (Ref: par. 3.A6–3.A9)</p>
<p><b>2.11</b> The practitioner should develop a plan that includes a description of the following items:</p> <ul style="list-style-type: none"> <li><i>a.</i> The nature, timing, and extent of planned risk assessment procedures</li> <li><i>b.</i> The nature, timing, and extent of planned further procedures</li> <li><i>c.</i> Other planned procedures that are required to be carried out so that the engagement complies with the attestation standards</li> </ul>	
<p><b>2.12</b> The practitioner should apply planning, evidence-gathering, evidence-evaluation, and reporting skills and techniques as part of an iterative, systematic engagement process.</p>	
<p><b>Risk Assessment Procedures</b></p>	
<p><b>2.13</b> The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to design and perform procedures in order to achieve the objectives of the engagement. That</p>	<p><b>3.13</b> The practitioner should obtain an understanding of the subject matter and other engagement circumstances sufficient to design and perform procedures in order to achieve the objectives of the engagement. That</p>

Requirements in Examination Engagements	Requirements in Review Engagements
understanding should include an understanding of internal control over the measurement, evaluation, or disclosure of the subject matter, when relevant to the subject matter, and other engagement circumstances as a basis for identifying and assessing risk. (Ref: par. 2.A11)	understanding should include the practices used to measure, recognize, and record the subject matter. (Ref: par. 3.A10)
<b>Materiality in Planning and Performing the Engagement</b>	<b>Materiality in Planning and Performing the Engagement</b>
<p><b>2.14</b> When establishing the overall engagement strategy, the practitioner should consider materiality for the subject matter. (Ref: par. 2.A12–2.A18)</p>	<p><b>3.14</b> The practitioner should consider materiality when</p> <ul style="list-style-type: none"> <li>• planning and performing the review engagement, including when determining the nature, timing, and extent of procedures.</li> <li>• 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 conformity with the criteria. (Ref: par. 3.A11–3.A16)</li> </ul>
<p><b>2.15</b> The practitioner should revise materiality for the subject matter in the event of becoming aware of information during the engagement that would have caused the practitioner to have initially determined a different amount.</p>	
	<b>Procedures to be Performed</b>
	<p><b>3.15</b> The practitioner should apply professional judgment in determining the specific nature, timing, and extent of review procedures. Based on</p> <ol style="list-style-type: none"> <li>a. the practitioner’s understanding of <ol style="list-style-type: none"> <li>i. the subject matter and the practices used by the responsible party to measure, recognize, and record the subject matter; and</li> <li>ii. the engagement circumstances and</li> </ol> </li> <li>b. the practitioner’s awareness of the risk that the practitioner may unknowingly fail to modify the practitioner’s review report when the subject matter is materially misstated,</li> </ol> <p>the practitioner should design and perform analytical procedures and make inquiries and perform other procedures, as appropriate, to accumulate review evidence in obtaining limited assurance about whether,</p>

Requirements in Examination Engagements	Requirements in Review Engagements
	based on the procedures performed, any material modifications should be made to the subject matter in order for it to be in conformity with the criteria. (Ref: par. 3.A17–3.A20)
	<b>3.16</b> Analytical procedures may not be possible when the subject matter is qualitative rather than quantitative. In those circumstances the practitioner should perform other procedures, in addition to inquiries, that provide equivalent levels of review evidence. (Ref: par. 3.A21)
	<b>3.17</b> The practitioner should place increased focus in those areas in which the practitioner believes increased risks of material misstatements exist. (Ref: par. 3.A22–3.A23)
<b>Identifying Risks of Material Misstatement</b>	
<p><b>2.16</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</p> <ul style="list-style-type: none"> <li><i>a.</i> are responsive to assessed risks of material misstatement and</li> <li><i>b.</i> allow the practitioner to obtain reasonable assurance about whether the subject matter is, in all material respects, in accordance with the applicable criteria. (Ref: par. 2.A19–2.A20)</li> </ul>	
<b>Responding to Assessed Risks</b>	
<p><b>2.17</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. 2.A21–2.A22)</p>	
<b>Further Procedures</b>	
<p><b>2.18</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.</p> <p><b>2.19</b> In designing and performing the further procedures in accordance with paragraph 2.18, the practitioner should</p> <ul style="list-style-type: none"> <li><i>a.</i> consider the reasons for the assessment given to the risk of material</li> </ul>	

Requirements in Examination Engagements	Requirements in Review Engagements
<p>misstatement, including</p> <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; and</li> </ul> <p><i>b.</i> obtain more persuasive evidence the higher the practitioner’s assessment of risk.</p> <p><b>2.20</b> When designing and performing procedures, the practitioner should consider the relevance and reliability of the information to be used as evidence. If</p> <ul style="list-style-type: none"> <li><i>a.</i> evidence obtained from one source is inconsistent with that obtained from another,</li> <li><i>b.</i> the practitioner has doubts about the reliability of information to be used as evidence, or</li> <li><i>c.</i> responses to inquiries of the responsible party or others are inconsistent or otherwise unsatisfactory (for example, vague or implausible),</li> </ul> <p>the practitioner should determine what modifications or additions to procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the engagement.</p>	
<p><b>Tests of Controls</b></p> <p><b>2.21</b> The practitioner should design and perform tests of controls to obtain sufficient appropriate evidence about the operating effectiveness of relevant controls if</p> <ul style="list-style-type: none"> <li><i>a.</i> the practitioner intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of other procedures;</li> <li><i>b.</i> procedures other than tests of controls cannot alone provide</li> </ul>	

Requirements in Examination Engagements	Requirements in Review Engagements
<p>sufficient appropriate evidence; or</p> <p>c. the subject matter is internal control. (Ref: par. 2.A23)</p> <p><b>2.22</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>a. the tests of controls that have been performed provide an appropriate basis for reliance on the controls,</p> <p>b. additional tests of controls are necessary, or</p> <p>c. the potential risks of misstatement need to be addressed using other procedures.</p>	
<b>Procedures Other Than Tests of Controls</b>	
<p><b>2.23</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>Analytical Procedures Performed in Response to Assessed Risks</b>	<b>Analytical Procedures</b>
<p><b>2.24</b> When designing and performing analytical procedures in response to assessed risks, the practitioner should</p> <p>a. 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>b. evaluate the reliability of data from which the practitioner’s expectation is developed, taking into account the source, comparability, nature, and relevance of information available and controls over their preparation; and</p> <p>c. develop an expectation which is sufficiently precise to identify possible material misstatements. (Ref: par. 2.A24–2.A25)</p>	<p><b>3.18</b> When designing and performing analytical procedures, the practitioner should</p> <p>a. determine the suitability of particular analytical procedures for the subject matter, taking account of the practitioner’s awareness of risks;</p> <p>b. evaluate the reliability of data from which the practitioner’s expectation is developed, taking into account the source, comparability, nature, and relevance of information available, and controls over their preparation; and</p> <p>c. develop an expectation with respect to recorded quantities or ratios. (Ref: par. 3.A24–3.A25)</p>

Requirements in Examination Engagements	Requirements in Review Engagements
<p><b>2.25</b> If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected quantities or ratios, the practitioner should investigate such differences by</p> <ul style="list-style-type: none"> <li><i>a.</i> inquiring of the responsible party and obtaining additional evidence relevant to its responses and</li> <li><i>b.</i> performing other procedures as necessary in the circumstances.</li> </ul>	<p><b>3.19</b> If analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected values, the practitioner should</p> <ul style="list-style-type: none"> <li><i>a.</i> inquire of the responsible party about such differences and</li> <li><i>b.</i> consider the responses to these inquiries to determine whether other procedures are necessary in the circumstances. (Ref: par. 3.A26)</li> </ul>
<b>Procedures Regarding Estimates</b>	
<p><b>2.26</b> Based on the assessed risks of material misstatement, the practitioner should evaluate whether</p> <ul style="list-style-type: none"> <li><i>a.</i> the responsible party has appropriately applied the requirements of the applicable criteria relevant to any estimated amounts and</li> <li><i>b.</i> 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.</li> </ul> <p><b>2.27</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 and</li> <li><i>ii.</i> assumptions used by the responsible party are reasonable.</li> </ul> </li> <li><i>c.</i> Test the operating effectiveness of the controls over how the</li> </ul>	

Requirements in Examination Engagements	Requirements in Review Engagements
<p>responsible party made the estimate, together with other appropriate further procedures.</p> <p><i>d.</i> Develop a point estimate or a range to evaluate the responsible party's estimate. For this purpose if the practitioner</p> <p><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.</p> <p><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.</p>	
<b>Sampling</b>	
<p><b>2.28</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. (Ref: par. 2.A26–2.A27)</p>	
	<b>Inquiries and Other Review Procedures</b>
	<p><b>3.20</b> The practitioner should inquire of the responsible party concerning the following:</p> <p><i>a.</i> Whether the subject matter has been prepared in conformity with the criteria</p> <p><i>b.</i> The practices used by the responsible party to measure, recognize, and record the subject matter</p> <p><i>c.</i> Questions that have arisen in the course of applying the review procedures</p> <p><i>d.</i> Communications from regulatory agencies, if relevant (Ref: par. 3.A27)</p>

Requirements in Examination Engagements	Requirements in Review Engagements
	<b>3.21</b> The practitioner should consider the reasonableness and consistency of the responsible party’s responses in light of the results of other review procedures and the practitioner’s knowledge of the subject matter, criteria, and responsible party.
<b>Fraud, Laws, and Regulations</b>	<b>Fraud, Laws, and Regulations</b>
<b>2.29</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.	<b>3.22</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.
<b>2.30</b> The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws and regulations identified during the engagement. (Ref: par. 2.A28)	<b>3.23</b> The practitioner should respond appropriately to fraud or suspected fraud and noncompliance or suspected noncompliance with laws and regulations identified during the engagement. (Ref: par. 3.A28–3.A29)
<b>Revision of Risk Assessment</b>	
<b>2.31</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. 2.A30–2.A31)	
<b>Evaluating the Reliability of Information Produced by the Entity</b>	<b>Incorrect, Incomplete, or Otherwise Unsatisfactory Information</b>
<b>2.32</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: <ul style="list-style-type: none"> <li>a. Obtaining evidence about the accuracy and completeness of the information</li> <li>b. Evaluating whether the information is sufficiently precise and detailed for the practitioner’s purposes</li> </ul>	<b>3.24</b> During the performance of review procedures, if the practitioner becomes aware that information coming to the practitioner’s attention is incorrect, incomplete, or otherwise unsatisfactory, the practitioner should request that the responsible party consider the effect of these matters on the subject matter and communicate the results of its consideration to the practitioner. The practitioner should consider the results communicated to the practitioner by the responsible party and the potential effect, if any, on the practitioner’s review report.
	<b>3.25</b> If the practitioner believes the subject matter may be materially misstated, the practitioner should perform additional procedures sufficient

Requirements in Examination Engagements	Requirements in Review Engagements
	to obtain limited assurance about whether any material modifications should be made to the subject matter in order for it to be in conformity with the criteria.
<b>Using the Work of a Practitioner’s Specialist</b>	<b>Using the Work of a Practitioner’s Specialist, Internal Auditors, or Other Practitioners</b>
<b>2.33</b> When the practitioner expects to use the work of a practitioner’s specialist, the practitioner should do the following: (Ref: par. 2.A32–2.A44)	<b>3.26</b> When the practitioner expects to use the work of a practitioner’s specialist, internal auditors, or other practitioners, the practitioner should apply the requirements in chapter 2, “Examination Engagements,” <sup>1</sup> of this proposed SSAE and the related application guidance, as appropriate, for a review engagement.
<p><i>a.</i> Evaluate whether the practitioner’s specialist has the necessary competence, capabilities, and objectivity for the practitioner’s purposes. 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. 2.A36–2.A39)</p>	
<p><i>b.</i> Obtain a sufficient understanding of the field of expertise of a practitioner’s specialist. (Ref: par. 2.A40–2.A41)</p>	
<p><i>c.</i> Agree with the practitioner’s specialist regarding</p> <ul style="list-style-type: none"> <li><i>i.</i> the nature, scope, and objectives of that practitioner’s specialist’s work;</li> <li><i>v.</i> the respective roles and responsibilities of the practitioner and that specialist;</li> <li><i>vi.</i> 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> </ul>	

<sup>1</sup> Paragraphs 2.33–2.36.

Requirements in Examination Engagements	Requirements in Review Engagements
vii. the need for the practitioner's specialist to observe confidentiality requirements. (Ref: par. 2.A42)	
<i>d.</i> Evaluate the adequacy of the work of the practitioner's specialist for the practitioner's purposes. (Ref: par. 2.A43–2.A44)	
<b>Using the Work of Internal Auditors</b>	
<p><b>2.34</b> When the practitioner expects to use the work of the internal audit function, the practitioner should determine whether the work of the internal audit function can be used for purposes of the examination by</p> <ul style="list-style-type: none"> <li><i>a.</i> evaluating <ul style="list-style-type: none"> <li>i. the extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors;</li> <li>ii. the level of competence of the internal audit function; and</li> <li>iii. the application by the internal audit function of a systematic and disciplined approach, including quality control.</li> </ul> </li> <li><i>b.</i> performing sufficient procedures, including reperformance, on the body of work of the internal audit function that the practitioner plans to use to evaluate whether such work is adequate for the practitioner's purposes. (Ref: par. 2.A45–2.A46)</li> </ul> <p><b>2.35</b> When using internal auditors to provide direct assistance to the practitioner, the practitioner should direct, supervise, and review the work of the internal auditors.</p>	
<b>Using the Work of Other Practitioners</b>	
<p><b>2.36</b> When the practitioner expects to use the work of other practitioners, the practitioner should</p> <ul style="list-style-type: none"> <li><i>a.</i> obtain an understanding of whether the other practitioner understands and will comply with the ethical requirements that are relevant to the examination and, in particular, is independent.</li> <li><i>b.</i> obtain an understanding of the other practitioner's professional</li> </ul>	

Requirements in Examination Engagements	Requirements in Review Engagements
<p>competence.</p> <p><i>c.</i> communicate clearly with the other practitioner about the scope and timing of the other practitioners' work and their findings.</p> <p><i>d.</i> if assuming responsibility for the work of other practitioners, be involved in the work of the other practitioners.</p> <p><i>e.</i> evaluate whether the other practitioner's work is adequate for the practitioner's purposes.</p> <p><i>f.</i> determine whether to make reference to the other practitioner in the practitioner's report. (Ref: par. 2.A47–2.A48)</p>	
<b>Evaluating the Results of Examination Procedures</b>	<b>Evaluating the Results of Review Procedures</b>
<b>2.37</b> The practitioner should accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: par. 2.A49)	<b>3.27</b> The practitioner should accumulate misstatements identified during the engagement, other than those that are clearly trivial. (Ref: par. 3.A29)
<b>2.38</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 to contradict the measurement or evaluation of the subject matter against the applicable criteria. If the practitioner is unable to obtain necessary further evidence, the practitioner should consider the implications for the practitioner's opinion in paragraphs 2.55(a) and 2.56–2.57. (Ref: par. 2.A50–2.A55)	<b>3.28</b> The practitioner should evaluate the sufficiency and appropriateness of the review evidence obtained in the context of the engagement and, if necessary, attempt to obtain further review evidence. The practitioner should consider all relevant review evidence, regardless of whether it appears to corroborate or to contradict the measurement or evaluation of the subject matter against the applicable criteria. (Ref: par. 3.A30–3.A32)
	<b>3.29</b> If the practitioner is unable to obtain review evidence sufficient for limited assurance, or if the practitioner concludes that the subject matter is materially misstated, the practitioner should consider the implications for the practitioner's conclusion in paragraphs 3.46–3.51.
<b>Considering Subsequent Events and Subsequently Discovered Facts</b>	<b>Considering Subsequent Events and Subsequently Discovered Facts</b>
<b>2.39</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	<b>3.30</b> When relevant to the engagement, the practitioner should consider the effect on the subject matter or assertion and the practitioner's report of events occurring subsequent to the period (or point in time) covered by the review engagement up to the date of the practitioner's report. The

Requirements in Examination Engagements	Requirements in Review Engagements
<p>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. 2.A56–2.A57)</p>	<p>extent of the practitioner’s consideration of these subsequent events depends on the potential for such events to affect the subject matter or assertion and to affect the appropriateness of the practitioner’s conclusion. (Ref: par. 3.A33–3.A35)</p>
<p><b>2.40</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 practitioner’s report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the practitioner’s report. (Ref: par. 2.A58–2.A59)</p>	<p><b>3.31</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 practitioner’s report that, had they been known to the practitioner at that date, may have caused the practitioner to revise the practitioner’s report. (Ref: par. 3.A63–3.A37)</p>
<p><b>Written Representations</b></p>	<p><b>Written Representations</b></p>
<p><b>2.41</b> The practitioner should request from the responsible party written representations in the form of a letter addressed to the practitioner. The representations should</p> <ul style="list-style-type: none"> <li><i>a.</i> state that the subject matter is based on or in conformity with the applicable criteria and that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion.</li> <li><i>b.</i> state that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies affecting the subject matter or assertion have been disclosed to the practitioner.</li> <li><i>c.</i> acknowledge responsibility for <ul style="list-style-type: none"> <li><i>i.</i> the subject matter and the assertion,</li> <li><i>ii.</i> selecting the criteria, when applicable, and</li> <li><i>iii.</i> determining that such criteria are appropriate, for its purposes.</li> </ul> </li> <li><i>d.</i> state that any known events subsequent to the period (or point in</li> </ul>	<p><b>3.32</b> The practitioner should request from the responsible party, written representations in the form of a letter addressed to the practitioner. The representations should</p> <ul style="list-style-type: none"> <li><i>a.</i> state that the subject matter is based on or in conformity with the criteria selected and that all relevant matters are reflected in the measurement or evaluation of the subject matter or assertion,</li> <li><i>b.</i> state that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies affecting the subject matter or assertion have been disclosed to the practitioner,</li> <li><i>c.</i> acknowledge responsibility for <ul style="list-style-type: none"> <li><i>i.</i> the subject matter and the assertion;</li> <li><i>ii.</i> selecting the criteria, when applicable; and</li> <li><i>iii.</i> determining that such criteria are appropriate, for its purposes.</li> </ul> </li> <li><i>d.</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</li> </ul>

Requirements in Examination Engagements	Requirements in Review Engagements
<p>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.</p> <p><i>e.</i> state that it has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement.</p> <p><i>f.</i> if applicable, state that the responsible party believes the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the subject matter. (Ref: par. 2.A62)</p> <p><i>g.</i> if applicable, state that significant assumptions used in making any material estimates are reasonable.</p> <p><i>h.</i> state that the responsible party has disclosed to the practitioner</p> <ul style="list-style-type: none"> <li><i>i.</i> all significant 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>(Ref: par. 2.A60–2.A62)</p>	<p>material effect on the subject matter or assertion have been disclosed to the practitioner.</p> <p><i>e.</i> state that it has provided the practitioner with all relevant information and access, as agreed upon in the terms of the engagement. 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. 3.A40)</p> <p><i>f.</i> if applicable, state that significant assumptions used in making any material estimates are reasonable.</p> <p><i>g.</i> state that the responsible party has disclosed to the practitioner</p> <ul style="list-style-type: none"> <li><i>i.</i> all significant 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>(Ref: par. 3.A38–3.A40)</p>
<p><b>2.42</b> When the engaging party is not the responsible party, the practitioner should</p> <p><i>a.</i> request written representations, in addition to those requested from the responsible party, from the engaging party in the form of a letter addressed to the practitioner. The representations should</p> <ul style="list-style-type: none"> <li><i>i.</i> acknowledge the engaging party’s responsibility for selecting the criteria, when applicable.</li> <li><i>ii.</i> acknowledge the engaging party’s responsibility for determining that such criteria are appropriate for its purposes.</li> <li><i>iii.</i> state that the engaging party is not aware of any material</li> </ul>	<p><b>3.33</b> When the engaging party is not the responsible party, the practitioner should</p> <p><i>a.</i> request written representations, in addition to those requested from the responsible party, from the engaging party in the form of a letter addressed to the practitioner. The representations should</p> <ul style="list-style-type: none"> <li><i>i.</i> acknowledge the engaging party’s responsibility for selecting the criteria, when applicable;</li> <li><i>ii.</i> acknowledge the engaging party’s responsibility for determining that such criteria are appropriate for its purposes;</li> <li><i>iii.</i> state that the engaging party is not aware of any material</li> </ul>

Requirements in Examination Engagements	Requirements in Review Engagements
<p>misstatements in the subject matter or assertion.</p> <p>iv. 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.</p> <p>v. acknowledge that the responsible party is responsible for the subject matter and assertion.</p> <p>vi. address other matters as the practitioner deems appropriate.</p> <p><i>b.</i> if the responsible party refuses to provide the representations in paragraph 2.41 in writing, make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph 2.41.</p>	<p>deviations from the criteria;</p> <p>iv. 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;</p> <p>v. acknowledge that the responsible party is responsible for the subject matter and assertion; and</p> <p>vi. address other matters as the practitioner deems appropriate.</p> <p>if the responsible party refuses to provide the representations in paragraph 3.32 in writing, make inquiries of the responsible party about, and seek oral responses to, the matters in paragraph 3.32.</p>
<p><b>2.43</b> When written representations are directly related to matters that are material to the subject matter, the practitioner should</p> <p><i>a.</i> evaluate their reasonableness and consistency with other evidence obtained, including other representations (oral or written), and</p> <p><i>b.</i> consider whether those making the representations can be expected to be well informed on the particular matters.</p> <p><b>2.44</b> The date of the written representations should be as of the date of the examination report. The written representations should address the subject matter and periods referred to in the practitioner’s report.</p>	<p><b>3.34</b> When written representations are directly related to matters that are material to the subject matter, the practitioner should</p> <p><i>a.</i> evaluate their reasonableness and consistency with other review evidence obtained, including other representations (oral or written), and</p> <p><i>b.</i> consider whether those making the representations can be expected to be well informed on the particular matters.</p> <p><b>3.35</b> The date of the written representations should be as of the date of the review report. The written representations should address the subject matter and periods referred to in the practitioner’s report.</p>
<b>Requested Written Representations Not Provided or Not Reliable</b>	<b>Requested Written Representations Not Provided or Not Reliable</b>
<p><b>2.45</b> If, when the engaging party and the responsible party are the same, 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 practitioner should</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</p>	<p><b>3.36</b> If, when the engaging party and the responsible party are the same, 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 practitioner should</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</p>

Requirements in Examination Engagements	Requirements in Review Engagements
<p>were requested or received and evaluate the effect that this may have on the reliability of representations and evidence in general; and</p> <p>c. take appropriate action. (Ref: par. 2.A63)</p>	<p>were requested or received and evaluate the effect that this may have on the reliability of representations and review evidence in general; and</p> <p>c. take appropriate action.</p>
<p><b>2.46</b> When the engaging party is different than the responsible party</p> <p>a. if one or more of the requested representations are not provided in writing by the responsible party, but the practitioner receives satisfactory responses to the practitioner’s inquiries performed in accordance with paragraph 2.422.42(b) sufficient to enable the practitioner to conclude that the practitioner has sufficient appropriate evidence to form an opinion about the subject matter, the examination report should contain an alert paragraph that restricts the use of the report to the engaging party.</p> <p>b. if one or more of the requested representations are not provided in writing or orally from the responsible party, in accordance with paragraph 2.42(b), a scope limitation exists, and the practitioner should determine the impact on the practitioner’s report.</p>	<p><b>3.37</b> When the engaging party is different than the responsible party,</p> <p>a. if one or more of the requested representations are not provided in writing by the responsible party, but the practitioner receives satisfactory responses to the practitioner’s inquiries performed in accordance with paragraph 3.33 (b) sufficient to enable the practitioner to conclude that the practitioner has sufficient review evidence to form a conclusion about the subject matter, the review report should contain an alert paragraph that restricts the use of the report to the engaging party.</p> <p>b. if one or more of the requested representations are not provided in writing or orally from the responsible party in accordance with paragraph 3.33 (b), a scope limitation exists, and the practitioner should withdraw.</p>
<b>Other Information</b>	<b>Other Information</b>
<p><b>2.47</b> If prior to or after the release of the practitioner’s examination report on subject matter or an assertion, the practitioner decides to permit the inclusion of the practitioner’s examination report in a document that contains the subject matter or assertion and other information, the practitioner should read that other information to identify material inconsistencies, if any, with the subject matter, assertion, or the examination report. If on reading that other information, the practitioner</p> <p>a. identifies a material inconsistency between that other information and the subject matter, assertion, or the examination report or</p> <p>b. becomes aware of a material misstatement of fact in that other information, the subject matter, assertion, or the examination report,</p> <p>the practitioner should discuss the matter with the responsible party and</p>	<p><b>3.38</b> If prior to or after the release of the practitioner’s review report on subject matter or an assertion, the practitioner decides to permit the inclusion of the practitioner’s review report in a document that contains the subject matter or assertion and other information, the practitioner should read that other information to identify material inconsistencies, if any, with the subject matter, assertion, or the review report. If on reading that other information, the practitioner</p> <p>a. identifies a material inconsistency between that other information and the subject matter, assertion, or the review report; or</p> <p>b. becomes aware of a material misstatement of fact in that other information, the subject matter, assertion, or the review report,</p> <p>the practitioner should discuss the matter with the responsible party and take further action as appropriate. (Ref: par. 3.A41–3.A42)</p>

Requirements in Examination Engagements	Requirements in Review Engagements
take further action as appropriate. (Ref: par. 2.A64–2.A65)	
<b>Description of Applicable Criteria</b>	<b>Description of Applicable Criteria</b>
<b>2.48</b> The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the applicable criteria. (Ref: par. 2.A66–2.A67)	<b>3.39</b> The practitioner should evaluate whether the written description of the subject matter or assertion adequately refers to or describes the applicable criteria. (Ref: par. 3.A43–3.A44)
<b>Forming the Opinion</b>	<b>Forming the Conclusion</b>
<p><b>2.49</b> The practitioner should form an opinion about whether the subject matter or assertion is free from material misstatement, whether due to error or fraud. In forming that opinion, the practitioner should evaluate</p> <ul style="list-style-type: none"> <li><i>a.</i> the practitioner’s conclusion regarding the sufficiency and appropriateness of evidence obtained and (Ref: par. 2A69)</li> <li><i>b.</i> whether uncorrected misstatements are material, individually or in aggregate. (Ref: par. 2.A68–2.A69)</li> </ul>	<p><b>3.40</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 conformity with the criteria. In forming that conclusion, the practitioner should evaluate</p> <ul style="list-style-type: none"> <li><i>a.</i> the practitioner’s conclusion regarding the sufficiency and appropriateness of the review evidence obtained and</li> <li><i>b.</i> whether uncorrected misstatements are material, individually or in the aggregate. (Ref: par. 3.A45–3.A46)</li> </ul>
<b>Preparing the Report</b>	<b>Preparing the Report</b>
<b>2.50</b> The report should be in writing. (Ref: par. 2.A70–2.A71)	<b>3.41</b> The report should be in writing. (Ref: par. 3.A47–3.A48)
<b>2.51</b> 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 practitioner’s report. (Ref: par. 2.A72)	<b>3.42</b> 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 practitioner’s report. (Ref: par. 3.A49)
<b>Report Content</b>	<b>Report Content</b>
<p><b>2.52</b> The practitioner’s examination report should include the following, unless the practitioner is disclaiming an opinion, in which case items 2.52 (e)(ii), 2.52 (f)(i)–(iii), and 2.52 (g) should be omitted:</p> <ul style="list-style-type: none"> <li><i>a.</i> A title that includes the word independent (Ref: par. 2.A73)</li> <li><i>b.</i> An appropriate addressee as required by the circumstances of the engagement</li> <li><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</li> </ul>	<p><b>3.43</b> The practitioner’s review report should include the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> A title that includes the word independent (Ref: par. 3.A50)</li> <li><i>b.</i> An appropriate addressee as required by the circumstances of the engagement</li> <li><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</li> </ul>

Requirements in Examination Engagements	Requirements in Review Engagements
assertion relates	
<i>d.</i> An identification of the criteria against which the subject matter was measured or evaluated (Ref: par. 2.A74–2.A75)	<i>d.</i> An identification of the criteria against which the subject matter was measured or evaluated (Ref: par. 3.A51–3.A52)
<i>e.</i> A statement to identify <ul style="list-style-type: none"> <li>i. the responsible party and its responsibilities</li> <li>ii. the practitioner’s responsibilities (Ref: par. 2.A76–2.A78)</li> </ul>	<i>e.</i> A statement to identify <ul style="list-style-type: none"> <li>i. the responsible party and its responsibilities and</li> <li>ii. the practitioner’s responsibilities (Ref: par. 3.A53)</li> </ul>
<i>g.</i> 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 practitioner plan and perform the examination to obtain reasonable assurance about whether <ul style="list-style-type: none"> <li>(1) the subject matter is free from material misstatement based on the criteria referenced in the report or</li> <li>(2) management’s assertion is free from material misstatement based on the criteria referenced in the report (Ref: par. 2.A79)</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> <li>iv. describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria (Ref: par. 2.A80)</li> </ul>	<i>f.</i> A statement that <ul style="list-style-type: none"> <li>i. the review 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 review to obtain limited assurance about whether any material modifications should be made to (1) the subject matter in order for it to be in conformity with the criteria or (2) the assertion in order for it to be fairly stated</li> <li>iii. a review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the subject matter or assertion is free from material misstatement, in order to express an opinion. Accordingly, the practitioner does not express such an opinion.</li> <li>iv. the practitioner believes the review provides a reasonable basis for the practitioner’s conclusion</li> <li>v. describes significant inherent limitations, if any, associated with the measurement or evaluation of the subject matter against the criteria (Ref: par. 3.A54)</li> </ul>
<i>g.</i> A description of the nature of an examination engagement (Ref: par. 2.A81)	
<i>h.</i> The practitioner’s opinion about whether	<i>g.</i> The practitioner’s conclusion about whether, based on the review,

Requirements in Examination Engagements	Requirements in Review Engagements
<ul style="list-style-type: none"> <li>i. the subject matter is free from material misstatement, in all material respects, based on (or in conformity with) the criteria or</li> <li>ii. the assertion is fairly stated in all material respects</li> </ul> <p>When the practitioner modifies the opinion, the practitioner should include a paragraph in the practitioner’s report that provides a description of the matter(s) giving rise to the modification. (Ref: par. 2.A82–2.A84 and 2.A93)</p>	<p>the practitioner is aware of any material modifications that should be made to</p> <ul style="list-style-type: none"> <li>i. the subject matter in order for it be in conformity with the criteria or</li> <li>ii. the assertion in order for it to be fairly stated</li> </ul> <p>When the practitioner modifies the conclusion, the practitioner should include a paragraph in the practitioner’s report that provides a description of the matter[s] giving rise to the modification. (Ref: par. 3.A55–3.A67)</p>
<ul style="list-style-type: none"> <li>i. An alert in a separate paragraph that restricts the use of the report in the following circumstances: <ul style="list-style-type: none"> <li>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.</li> <li>ii. The criteria used to evaluate the subject matter are available only to specified parties.</li> <li>iii. The responsible party is not the engaging party, and the responsible party does not provide written representations.</li> </ul> <p>The alert should</p> <ol style="list-style-type: none"> <li>(1) state that the report is intended solely for the information and use of the specified parties,</li> <li>(2) identify the specified parties for whom use is intended, and</li> <li>(3) state that the practitioner’s report is not intended to be and should not be used by anyone other than the specified parties.</li> </ol> <p>When the engagement is also performed in accordance with government auditing standards, instead of including the</p> </li> </ul>	<ul style="list-style-type: none"> <li>h. An alert in a separate paragraph that restricts the use of the report in the following circumstances: <ul style="list-style-type: none"> <li>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.</li> <li>ii. The criteria used to evaluate the subject matter are available only to specified parties.</li> <li>iii. When the responsible party is not the engaging party, and the responsible party does not provide written representations, the alert should <ol style="list-style-type: none"> <li>(1) state that the report is intended solely for the information and use of the specified parties,</li> <li>(2) identify the specified parties for whom use is intended, and</li> <li>(3) state that the practitioner’s report is not intended to be and should not be used by anyone other than the specified parties.</li> </ol> <p>When the engagement is performed in accordance with government auditing standards, instead of including the information required by paragraph 3.43(h), the alert should</p> </li> </ul> </li> </ul>

Requirements in Examination Engagements	Requirements in Review Engagements
<p>information in paragraph 2.52(i)(iii)(1–3), the alert should</p> <p>(4) describe the purpose of the practitioner’s report and</p> <p>(5) state that the practitioner’s report is not suitable for any other purpose.</p> <p>(Ref: par. 2.A82–2.A87)</p>	<p>(4) describe the purpose of the practitioner’s report and</p> <p>(5) state that the practitioner’s report is not suitable for any other purpose. (Ref: par. 3.A57–3.A61)</p>
<p><i>j.</i> The manual or printed signature of the practitioner’s firm</p> <p><i>k.</i> The city and state where the practitioner practices</p>	<p><i>i.</i> The manual or printed signature of the practitioner’s firm</p> <p><i>j.</i> The city and state where the practitioner practices</p>
<p><i>l.</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 that the responsible party has provided a written assertion.) (Ref: par. 2.A90–2.A91)</p>	<p><i>k.</i> The date of the report (The report should be dated no earlier than the date on which the practitioner has obtained sufficient appropriate review evidence on which to base the practitioner’s conclusion, including that the responsible party has provided a written assertion.) (Ref: par. 3.A62–3.A63)</p>
<p><b>Reference to the Practitioner’s Specialist</b></p>	<p><b>Reference to the Practitioner’s Specialist</b></p>
<p><b>2.53</b> The practitioner should not refer to the work of a practitioner’s specialist in the practitioner’s examination report containing an unmodified opinion. (Ref: par. 2.A92)</p> <p><b>2.54</b> When the examination report 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. (Ref: par. 2.A92)</p>	<p><b>3.44</b> The practitioner should not refer to the work of a practitioner’s specialist in the practitioner’s review report containing an unmodified conclusion. (Ref: par. 3.A64)</p> <p><b>3.45</b> When the review report 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. (Ref: par. 3.A64)</p>
<p><b>Modified Conclusions</b></p>	<p><b>Modified Conclusions</b></p>
	<p><i>Scope Limitations</i></p>
	<p><b>3.46</b> If the practitioner is unable to obtain sufficient appropriate review evidence, including when the practitioner is unable to obtain a written assertion from the responsible party, a scope limitation exists. When a scope limitation exists, the practitioner should withdraw from the engagement. (The inability to obtain written representations from the</p>

Requirements in Examination Engagements	Requirements in Review Engagements
	responsible party ordinarily would result in a scope limitation; however, when the responsible party is not the engaging party, paragraph 3.37 [b] enables the practitioner to make inquiries of the responsible party, and if the practitioner obtains satisfactory oral responses, the practitioner’s report would not contain a scope limitation) (Ref: par. 3.A66–3.A67)
	<b><i>Misstatement of Subject Matter</i></b>
	<b>3.47</b> A practitioner who is engaged to perform a review engagement may become aware that the subject matter is misstated. In this circumstance, the practitioner should consider whether modification of the standard review report is adequate to disclose the misstatement of the subject matter.
<p><b>2.55</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:</p> <ul style="list-style-type: none"> <li><i>a.</i> The practitioner is unable to obtain sufficient appropriate evidence to conclude that the subject matter is free from material misstatement.</li> <li><i>b.</i> The practitioner concludes, based on evidence obtained, that the subject matter is not free from material misstatement. (Ref: par. 2.A93–2.A94)</li> </ul>	
<p><b>2.56</b> The practitioner should express a qualified opinion when the effects, or possible effects, of a matter are not so pervasive as to require a disclaimer of opinion or an adverse opinion. A qualified opinion is expressed as being “except for the effects (or possible effects),” of the matter to which the qualification relates. (Ref: par. 2.A95–2.A96)</p>	<p><b>3.48</b> The practitioner should express a qualified conclusion when the effects of a matter are material but not pervasive. When the effects of a matter are material and also pervasive, the practitioner should withdraw from the engagement. A qualified conclusion is expressed as being “except for the effects” of the matter to which the qualification relates.</p>
<p><b>2.57</b> If the practitioner is unable to obtain sufficient appropriate evidence, including when the practitioner is unable to obtain a written assertion from the responsible party, a scope limitation exists. When a scope limitation</p>	

Requirements in Examination Engagements	Requirements in Review Engagements
exists, the practitioner should express a qualified opinion, disclaim an opinion, or withdraw from the engagement, when withdrawal is possible under applicable laws or regulations. (Ref: par. 2.A97–2.A100)	
	<b>3.49</b> If the practitioner has concluded that the material misstatement results in a qualified conclusion, the practitioner should report directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.
	<b>3.50</b> If the practitioner believes that modification of the standard report is not adequate to indicate the misstatements in the subject matter, the practitioner should withdraw from the review engagement and provide no further services with respect to that subject matter.
<p><b>2.58</b> If the practitioner expresses a modified opinion because of a scope limitation but is also aware of a matter(s) that causes the subject matter to be materially misstated, the practitioner should include in the report a clear description of both the scope limitation and the matter(s) that causes the subject matter to be materially misstated.</p> <p><b>2.59</b> If conditions exist that, individually or in combination, result in one or more material misstatements or deviations from the criteria, the practitioner should modify the report and should express a qualified or adverse opinion directly on the subject matter, not on the assertion, even when the assertion acknowledges the misstatement.</p> <p><b>2.60</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.</p>	<p><b>3.51</b> 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.</p>
<b>Documentation</b>	<b>Documentation</b>
<p><b>2.61</b> The practitioner should prepare engagement documentation that is sufficient to determine</p> <p><i>a.</i> the nature, timing, and extent of the procedures performed to comply with relevant chapters of the attestation standards and applicable legal and regulatory requirements, including</p>	<p><b>3.52</b> The practitioner should prepare engagement documentation that is sufficient to determine</p> <p><i>a.</i> the nature, timing, and extent of the procedures performed to comply with relevant chapters of the attestation standards and applicable legal and regulatory requirements, including</p>

Requirements in Examination Engagements	Requirements in Review Engagements
<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 of findings or issues that, in the practitioner’s professional judgment, are significant. The documentation should include 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 not the responsible party and the responsible party will not provide the written representations regarding the matters in paragraph 2.41, oral responses from the responsible party to the practitioner’s inquiries regarding the matters in paragraph 2.41, in accordance with paragraph 2.42 [b].</li> <li>v. who reviewed the engagement work performed and the date and extent of such review.</li> </ul> <p><i>b.</i> the results of the procedures performed and the evidence obtained. (Ref: par. 2.A101–2.A104)</p>	<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 of findings or issues that, in the practitioner’s professional judgment, are significant (The significant findings or issues should be discussed with the responsible party and others. The documentation should include the nature of the significant findings or issues discussed and when and with whom the discussions took place); and</li> <li>iv. who reviewed the engagement work performed and the date and extent of such review.</li> </ul> <p><i>b.</i> the results of the procedures performed and the evidence obtained. (Ref: par. 3.A68–3.A71)</p>
<p><b>2.62</b> If the practitioner identified information that is inconsistent with the practitioner’s final conclusion regarding a significant finding or issue, the practitioner should document how the practitioner addressed the inconsistency.</p>	<p><b>3.53</b> If the practitioner identified information that is inconsistent with the practitioner’s final conclusion regarding a significant finding or issue, the practitioner should document how the practitioner addressed the inconsistency.</p>
<p><b>2.63</b> If, in circumstances such as those described in paragraph 2.40, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner’s report, the practitioner should document</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 practitioner’s report;</li> </ul>	<p><b>3.54</b> If, in circumstances such as those described in paragraph 3.31, the practitioner performs new or additional procedures or draws new conclusions after the date of the practitioner’s report, the practitioner should document</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 practitioner’s</li> </ul>

<b>Requirements in Examination Engagements</b>	<b>Requirements in Review Engagements</b>
<p>and</p> <p>c. when and by whom the resulting changes to the documentation were made and reviewed.</p>	<p>report; and</p> <p>c. when and by whom the resulting changes to the documentation were made and reviewed.</p>

**Chapter 4—Agreed-Upon Procedures Engagements**

**Requirements**

**Application Guidance**

**Introduction**

**4.1.** This chapter contains performance and reporting requirements and application guidance for all agreed-upon procedures engagements. The requirements and guidance in this chapter supplement the requirements and guidance in chapter 1, “Concepts Common to All Attestation Engagements,” of this proposed Statement on Standards for Attestation Engagements (SSAE). The SSAEs are also commonly referred to as the attestation standards.

**4.2.** An agreed-upon procedures engagement is one in which a practitioner is engaged to issue a report of findings based on specific agreed-upon procedures applied to subject matter for use by specified parties. Because the specified parties require that findings be independently derived, the services of a practitioner are obtained to perform procedures and report the practitioner’s findings. The specified parties determine the procedures they believe to be appropriate to be applied by the practitioner. Because the needs of the specified parties may vary widely, the nature, timing, and extent of the agreed-upon procedures may vary, as well; consequently, the specified parties assume responsibility for the sufficiency of the procedures because they best understand their own needs. In an engagement performed under this chapter, the practitioner does not perform an examination or a review and does not provide an opinion or conclusion. Instead, the practitioner’s report on agreed-upon procedures is in the form of procedures and findings.

**4.3.** 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 chapter 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 nonattestation service. Reports on applying agreed-upon procedures to subject matter may be combined with reports on such other services, provided the types of services can be clearly distinguished and the applicable standards for each service are followed.

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
<p><b>4.4.</b> This chapter 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></p>	
<p><b>Effective Date</b></p> <p><b>4.5.</b> This chapter is effective for agreed-upon procedures engagements for which the subject matter or assertion is as of or for a period ending on or after [<i>date</i>], unless otherwise indicated.</p>	
<p><b>Objectives</b></p> <p><b>4.6.</b> In conducting an agreed-upon procedures engagement, the objectives of the practitioner are to</p> <ul style="list-style-type: none"> <li>a. apply to the subject matter or an assertion procedures that are established by specified parties who agreed upon the procedures and are responsible for the sufficiency of the procedures for their purposes and</li> <li>b. issue a written report that describes the procedures applied and the practitioner’s findings. (Ref: par. 4.A1–4.A2)</li> </ul>	<p><b>Objectives</b></p> <p><b>4.A1.</b> The subject matter of an agreed-upon procedures engagement may take many different forms and may be at a point in time or for a period of time. In an agreed-upon procedures engagement, the practitioner applies procedures to the subject matter of the engagement. Even though the procedures are agreed upon between the practitioner and the specified parties, the requirements and guidance related to the subject matter and criteria in chapter 1 apply. (Ref: par. 4.6)</p> <p><b>4.A2.</b> An <i>assertion</i> is any declaration or set of declarations about whether the subject matter is based on or in conformity with the criteria selected. Although an assertion about the subject matter is implicit in an agreed-upon procedures engagement, a written assertion is generally not required in an agreed-upon procedures engagement unless specifically required by another attestation standard (for example, see chapter 8, “Compliance Attestation.”)<sup>2</sup> If, however, the practitioner requests the responsible party to provide an assertion, the assertion may be presented in a representation letter or another written communication from the responsible party, such as in a statement, narrative description, or schedule appropriately identifying what is being presented and the point in time or the period of time covered. (Ref: par. 4.6)</p>
<p><b>Definition</b></p> <p><b>4.7.</b> For purposes of this chapter and other chapters of the attestation standards,</p>	

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

<sup>2</sup> Paragraph 8.XX. (Chapter 8 of the clarified attestation standards has not yet been exposed for comment. The requirement to obtain a written assertion in an agreed-upon procedures engagement related to compliance is found in paragraph .11 of extant AT section 601, *Compliance Attestation* [AICPA, *Professional Standards*].)

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
<p>unless indicated to the contrary, the following term has the meaning attributed below:</p> <p><b>Nonparticipant party.</b> An additional specified party the practitioner is requested to add as a user of the report subsequent to the completion of the agreed-upon procedures engagement. (The term <i>specified party</i> is defined in chapter 1<sup>3</sup> of this proposed SSAE.)</p>	
<p><b>Requirements</b></p> <p><b>Conduct of an Agreed-Upon Procedures Engagement</b></p> <p><b>4.8.</b> In performing an agreed-upon procedures engagement, the practitioner should comply with this chapter, chapter 1 of this proposed SSAE, and any subject-matter specific chapters of the attestation standards that are relevant to the engagement. A subject-matter specific chapter is relevant to the engagement when it is in effect and the circumstances addressed by the chapter exist. (Ref: par. 4.A3)</p>	<p><b>Conduct of an Agreed-Upon Procedures Engagement</b></p> <p><b>4.A3.</b> Although independence is required for agreed-upon procedures engagements, Interpretation No. 101-11, “Modified Application of Rule 101 for Engagements Performed in Accordance With Statements on Standards for Attestation Engagements,” of Rule 101, <i>Independence (AICPA, Professional Standards</i>, ET sec. 101 par. .13), establishes independence requirements unique to such engagements. (Ref: par. 4.8)</p>
<p><b>Conditions for Engagement Performance</b></p> <p><b>4.9.</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 chapter 1<sup>4</sup> of the proposed SSAE, are present:</p> <ul style="list-style-type: none"> <li>a. The specified parties agree on the procedures performed or to be performed by the practitioner.</li> <li>b. The specified parties take responsibility for the sufficiency of the agreed-upon procedures for their purposes.</li> <li>c. The practitioner determines that the procedures can be performed and reported on in accordance with this chapter.</li> <li>d. The procedures to be applied to the subject matter are expected to result</li> </ul>	<p><b>Conditions for Engagement Performance</b></p> <p><b>4.A4.</b> To satisfy the requirements that the specified parties agree upon the procedures performed or to be performed and that the specified parties take responsibility for the sufficiency of the agreed-upon procedures for their purposes, the practitioner ordinarily communicates directly with and obtains affirmative acknowledgment from each of the specified parties. For example, this may be accomplished by meeting with the specified parties or by distributing a draft of the anticipated report or a copy of an engagement letter to the specified parties and obtaining their agreement. If the practitioner is not able to communicate directly with all of the specified parties, the practitioner may satisfy these requirements by applying any one or more of the following or similar procedures:</p> <ul style="list-style-type: none"> <li>• Compare the procedures to be applied to written requirements of the</li> </ul>

<sup>3</sup> Paragraph 1.10(w).

<sup>4</sup> Paragraphs 1.24–1.25.

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
<p>in reasonably consistent findings using the criteria.</p> <p><i>e.</i> When applicable, the practitioner and the specified parties agree on any materiality limits for reporting purposes.</p> <p><i>f.</i> Use of the report is restricted to the specified parties. (Ref: par. 4.A4)</p> <p><b>4.10.</b> The practitioner should not accept an agreed-upon procedures engagement when the specified parties do not agree upon the procedures performed or to be performed and do not take responsibility for the sufficiency of the procedures for their purposes. (See paragraphs 4.27–4.29 for the requirements and related application guidance on satisfying these requirements when the practitioner is requested to add a nonparticipant party.)</p>	<p>specified parties.</p> <ul style="list-style-type: none"> <li>• Discuss the procedures to be applied with appropriate representatives of the specified parties involved.</li> <li>• Review relevant contracts with or correspondence from the specified parties. (Ref: par. 4.9)</li> </ul>
<p><b>Agreeing on the Terms of the Engagement</b></p> <p><b>4.11.</b> The practitioner should agree upon the terms of the engagement with the engaging party. The agreed terms of the engagement should be specified in sufficient detail in an engagement letter or other suitable form of written agreement or confirmation. The communication should be addressed to the engaging party. (Ref: par. 4.A5–4.A6)</p>	<p><b>Agreeing on the Terms of the Engagement</b></p> <p><b>4.A5.</b> Specified parties are responsible for the sufficiency (nature, timing, and extent) of the agreed-upon procedures because they best understand their own needs. The specified parties assume the risk that such procedures might be insufficient for their purposes. In addition, the specified parties assume the risk that they might misunderstand or otherwise inappropriately use findings properly reported by the practitioner. (Ref: par. 4.11)</p> <p><b>4.A6.</b> The communication may be addressed to all of the specified parties, not just to the engaging party. (Ref: par. 4.11)</p>
<p><b>4.12.</b> The agreed upon terms of the engagement should include the following:</p> <ul style="list-style-type: none"> <li><i>a.</i> The nature of the engagement</li> <li><i>b.</i> Identification of the subject matter or assertion, the responsible party, and the criteria to be used (Ref: par. 4.A7)</li> <li><i>c.</i> Identification of specified parties</li> <li><i>d.</i> Acknowledgment by the specified parties of their responsibility for the sufficiency of the procedures</li> <li><i>e.</i> Responsibilities of the practitioner (Ref: par. 4.A8–4.A9)</li> </ul>	<p><b>4.A7.</b> The criteria may be indicated in the procedures as opposed to described separately. (Ref: par. 4.12[b])</p> <p><b>4.A8.</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 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, determining the findings, and preparing the report. (Ref: par. 4.12[e])</p> <p><b>4.A9.</b> The practitioner has no responsibility to determine the differences between the agreed-upon procedures to be performed and the procedures that the practitioner would have determined to be necessary had the practitioner been</p>

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
	engaged to perform another form of attestation engagement. The procedures that the practitioner agrees to perform 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. (Ref: par. 4.12[e])
<p><i>f.</i> Reference to attestation standards established by the American Institute of Certified Public Accountants</p> <p><i>g.</i> Agreement on procedures by enumerating (or referring to) the procedures</p> <p><i>h.</i> Disclaimers expected to be included in the practitioner’s report</p> <p><i>i.</i> Use restrictions</p> <p><i>j.</i> Assistance to be provided to the practitioner</p> <p><i>k.</i> Involvement of a specialist</p> <p><i>l.</i> Agreed-upon materiality limits specified by the user, if applicable</p>	
<p><b>Procedures to be Performed</b></p> <p><b>4.13.</b> The procedures agreed upon pursuant to 4.12(g) should specify the nature, timing, and extent of the procedures. (Ref: par. 4.A10)</p>	<p><b>Procedures to be Performed</b></p> <p><b>4.A10.</b> The procedures that the practitioner and specified parties agree upon may be as limited or as extensive as the specified parties desire. However, mere reading of an assertion or specified information about the subject matter does not constitute a procedure sufficient to permit a practitioner to report on the results of applying agreed-upon procedures. In some circumstances, the procedures agreed upon evolve or are modified over the course of the engagement. (Ref: par. 4.13)</p>
<p><b>4.14.</b> The practitioner should not agree to perform procedures that are open to varying interpretations. 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 agreed-upon procedures. (Ref: par. 4.A11–4.A12)</p>	<p><b>4.A11.</b> Examples of appropriate procedures include the following:</p> <ul style="list-style-type: none"> <li>• Execution of a sampling application after agreeing on relevant parameters</li> <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> </ul>

**Chapter 4—Agreed-Upon Procedures Engagements**

**Requirements**

**Application Guidance**

- Performance of specific procedures on work performed by others
  - Performance of mathematical computations (Ref: par. 4.14)
- 4.A12.** Examples of inappropriate procedures include the following:
- Mere reading of the work performed by others solely to describe their findings
  - Evaluating the competency or objectivity of another party
  - Obtaining an understanding about a particular subject
  - Interpreting documents outside the scope of the practitioner’s professional expertise (Ref: par. 4.14)

**4.15.** The practitioner should obtain evidential matter from applying the agreed-upon 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 evidential matter.

**Using the Work of a Practitioner’s Specialist, Internal Auditors, Other Personnel, or Other Practitioners**

*Using the Work of a Practitioner’s Specialist*

**4.16.** The practitioner and the specified parties should explicitly agree to the involvement of any practitioner’s specialist assisting a practitioner in the performance of an agreed-upon procedures engagement. (Ref: par. 4.A13–4.A15)

**Using the Work of a Practitioner’s Specialist, Internal Auditors, Other Personnel or Other Practitioners**

*Using the Work of a Practitioner’s Specialist*

**4.A13.** The practitioner’s education and experience enable the practitioner to be knowledgeable about business matters in general, but he or she 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 specialist to assist the practitioner in the performance of one or more procedures. The following are examples of such circumstances.

- An attorney providing assistance concerning the interpretation of legal terminology in laws, regulations, rules, contracts, or grants
- A medical specialist providing assistance in understanding the characteristics of diagnosis codes documented in patient medical records
- An environmental engineer providing assistance in interpreting environmental remedial action regulatory directives that may affect the agreed-upon procedures applied to an environmental liabilities account in

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
	<p>a financial statement</p> <ul style="list-style-type: none"> <li>• A geologist providing assistance in distinguishing between the physical characteristics of a generic minerals group related to information to which the agreed-upon procedures are applied (Ref: par. 4.16)</li> </ul> <p><b>4.A14.</b> The agreement regarding practitioner’s specialists may be reached when obtaining agreement on the procedures performed or to be performed and acknowledgment of responsibility for the sufficiency of the procedures, as discussed in paragraph 4.9. (Ref: par. 4.16)</p> <p><b>4.A15.</b> A practitioner may agree to apply procedures to the report or work product of a practitioner’s specialist that does not constitute assistance by the specialist to the practitioner in an agreed-upon procedures engagement. For example, the practitioner may make reference to information contained in a report of a practitioner’s specialist in describing an agreed-upon procedure. However, it is inappropriate for the practitioner to agree to merely read the 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 specialist or the specialist’s work product. (Ref: par. 4.16)</p>
<p><b>4.17.</b> The practitioner’s report should describe the nature of the assistance provided by the practitioner’s specialist.</p>	
<p><i>Using the Work of Internal Auditors, Other Personnel, or Other Practitioners</i></p> <p><b>4.18.</b> The agreed-upon procedures to be enumerated or referred to in the practitioner’s report should be performed entirely by the engagement team or other practitioners, except as discussed in paragraphs 4.A16–4.A18. (Ref: par. 4.A16–4.A18)</p>	<p><i>Using the Work of Internal Auditors, Other Personnel, or Other Practitioners</i></p> <p><b>4.A16.</b> Internal auditors or other personnel may prepare schedules and accumulate data or provide other information for the practitioner’s use in performing the agreed-upon 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 chapter. (Ref: par. 4.18)</p> <p><b>4.A17.</b> A practitioner may agree to perform procedures on information documented in the working papers of internal auditors. For example, the practitioner may agree to</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</li> </ul>

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
	<p align="center">presented in a report by the internal auditors. (Ref: par. 4.18)</p> <p><b>4.A18.</b> It is inappropriate for the practitioner to</p> <ul style="list-style-type: none"> <li>• agree to 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. (Ref: par. 4.18)</li> </ul>
<p><b>Findings</b></p> <p><b>4.19.</b> A practitioner should present the results of applying agreed-upon procedures to specific subject matter in the form of findings.</p> <p><b>4.20.</b> The practitioner’s report should not express a conclusion about whether the subject matter is free from material misstatement based on the criteria or whether the assertion is fairly stated, for example, “Nothing came to my attention that caused me to believe that the <i>subject</i> matter is not free from material misstatement based on the criteria, or the assertion is not fairly stated.”</p>	<p><b>Findings</b></p>
<p><b>4.21.</b> The practitioner should report all findings from application of the agreed-upon procedures. Any agreed upon materiality limits should be described in the practitioner’s report. (Ref: par. 4.A19)</p>	<p><b>4.A19.</b> The concept of materiality does not apply to findings to be reported in an agreed-upon procedures engagement unless the definition of materiality is agreed to by the specified parties. An example of language that describes materiality limits is “For purposes of performing these agreed-upon procedures, no exceptions were reported for differences of \$1,000 or less resulting solely from the rounding of amounts disclosed.” (Ref: par. 4.21)</p>
<p><b>4.22.</b> The practitioner should avoid vague or ambiguous language in reporting findings. (Ref: par. 4.A20–4.A22)</p>	<p><b>4.A20.</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. Some descriptions of procedures are acceptable, such as the following:</p> <ul style="list-style-type: none"> <li>• Inspect</li> <li>• Confirm</li> <li>• Compare</li> </ul>

**Chapter 4—Agreed-Upon Procedures Engagements**

**Requirements**

**Application Guidance**

- Agree
- Trace
- Inquire
- Recalculate
- Observe
- Mathematically check

Conversely, the following procedures generally are not acceptable because they are not sufficiently precise or have an uncertain meaning:

- Note
- Review
- General review
- Limited review
- Evaluate
- Analyze
- Check
- Test
- Interpret
- Verify
- Examine

(Ref: par. 4.22)

**4.A21.** If the practitioner is selecting a sample, stating the size of the sample and how the selection was made (after agreement by the specified parties regarding the relevant parameters) 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). (Ref: par. 4.22)

**4.A22.** The following table provides examples of appropriate and inappropriate

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance		
	descriptions of findings resulting from the application of certain agreed-upon procedures. (Ref: par. 4.22)		
	<i>Procedures Agreed Upon</i>	<i>Appropriate Description of Findings</i>	<i>Inappropriate Description of Findings</i>
	Inspect the shipment dates for a sample (agreed-upon) of specified shipping documents, and determine whether any such dates were subsequent to December 31, 20XX.	No shipment dates shown on the sample of shipping documents were subsequent to December 31, 20XX.	Nothing came to my attention as a result of applying that procedure.
	Calculate the number of blocks of streets paved during the year ended September 30, 20XX, shown on contractors' certificates of project completion; compare the resultant number to the number in an identified chart of performance statistics.	The number of blocks of streets paved in the chart of performance statistics was Y blocks more than the number calculated from the contractors' certificates of project completion.	The number of blocks of streets paved approximated the number of blocks included in the chart of performance statistics.
	Calculate the rate of return on a specified investment (according to an agreed-upon formula) and verify that 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	All classification	All classification codes	

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance		
	classification codes in identified performance test documents for products produced during a specified period; compare such codes to those shown in an identified computer printout.	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>	appeared to comply with such performance documents.
	Trace all outstanding checks appearing on a bank reconciliation as of a certain date to checks cleared in the bank statement of the subsequent month.	All outstanding checks appearing on the bank reconciliation were cleared 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 a certain date to the amount and invoice date shown on the outstanding invoice and determine whether or not the invoice dates 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 invoices preceded the date indicated	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 invoices preceded the date indicated on the schedule

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance		
	indicated on the schedule by more than 90 days.	on the schedule by more than 90 days.	by more than 90 days.
<p><b>Written Representations</b></p> <p><b>4.23.</b> Although this chapter does not require the practitioner to obtain a representation letter in an agreed-upon procedures engagement, the responsible party’s refusal to furnish written representations determined by the practitioner to be appropriate for the engagement constitutes a limitation on the performance of the engagement. In such circumstances, the practitioner should do one of the following:</p> <ul style="list-style-type: none"> <li>a. Disclose in the practitioner’s report the inability to obtain representations from the responsible party.</li> <li>b. Withdraw from the engagement. (Ref: par. 4.A23–4.A24)</li> </ul>	<p><b>Written Representations</b></p> <p><b>4.A23.</b> A practitioner may find a representation letter to be a useful and practical means of obtaining representations from the responsible party. The need for such a letter may depend on the nature of the engagement and the specified parties. For example, chapter 8<sup>5</sup> of the attestation standards requires a practitioner to obtain written representations from the responsible party in an agreed-upon procedures engagement related to compliance with specified requirements. (Ref: par. 4.23)</p> <p><b>4.A24.</b> Examples of matters that might appear in a representation letter from the responsible party include the following:</p> <ul style="list-style-type: none"> <li>a. A statement acknowledging responsibility for the subject matter or assertion</li> <li>b. A statement acknowledging responsibility for selecting the criteria and for determining that such criteria are appropriate for their purposes</li> <li>c. The assertion about the subject matter based on the criteria selected</li> <li>d. A statement that all known matters contradicting the subject matter or assertion and any communication from regulatory agencies affecting the subject matter or assertion has been disclosed to the practitioner</li> <li>e. Availability of all records relevant to the subject matter and the agreed-upon procedures</li> <li>f. Other matters as the practitioner deems appropriate (Ref: par. 4.23)</li> </ul>		
<p><b>4.24.</b> This chapter does not require the practitioner to request a written assertion from the responsible party. However, a practitioner may choose to request such an assertion. If the engaging party is the responsible party and refuses to provide a written assertion, the practitioner should withdraw from the</p>			

<sup>5</sup> Paragraph 8.XX. (Chapter 8 of the clarified attestation standards has not yet been exposed for comment. The requirement to obtain a representation letter in an agreed-upon procedures engagement related to compliance is found in paragraph .68 of extant AT section 601.)

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
engagement.	
<p><b>Report Content</b></p> <p><b>4.25.</b> The practitioner’s report on agreed-upon procedures should be in the form of procedures and findings. The practitioner’s report should be in writing and include the following:</p> <ul style="list-style-type: none"> <li>a. A title that includes the word independent (Ref: par. 4.A25)</li> <li>b. An appropriate addressee as required by the circumstances of the engagement</li> </ul>	<p><b>Report Content</b></p> <p><b>4.A25.</b> A title indicating that the agreed-upon procedures 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 of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent practitioner’s report from reports issued by others. (Ref: par. 4.25[a])</p>
<ul style="list-style-type: none"> <li>c. An identification of the subject matter or assertion and the nature of an agreed-upon procedures engagement (Ref: par. 4.A26)</li> <li>d. An identification of the specified parties</li> <li>e. A statement that the procedures performed were those agreed to by the specified parties identified in the report</li> <li>f. Identification of the responsible party</li> <li>g. A statement that the subject matter is the responsibility of the responsible party</li> <li>h. A statement that <ul style="list-style-type: none"> <li>i. the sufficiency of the procedures is solely the responsibility of those parties specified in the report</li> <li>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</li> </ul> </li> <li>i. A list of the procedures performed (or reference thereto) and related findings (The practitioner should not provide a conclusion. See paragraph 4.20.)</li> <li>j. When applicable, a description of any agreed-upon materiality limits</li> </ul>	<p><b>4.A26.</b> A practitioner may be asked to apply agreed-upon procedures to more than one subject matter or assertion. In these engagements the practitioner may issue one report that refers to all subject matter covered or assertions presented. Paragraph 8.A35 includes an example of language that may be used in the introductory paragraph to address such circumstances. (Ref: par. 4.25[c])</p>
<ul style="list-style-type: none"> <li>k. All of the following statements: <ul style="list-style-type: none"> <li>i. The agreed-upon procedures engagement was conducted in</li> </ul> </li> </ul>	<p><b>4.A27.</b> If the subject matter consists of elements, accounts, or items of a financial statement, the report might instead state that the agreed-upon</p>

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
<p>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 review of the subject matter, the objective of which would be the expression of an opinion or a conclusion, respectively on the subject matter</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. (Ref: par. 4.A27)</p>	<p>procedures do not constitute an audit [<i>or a review</i>] of financial statements or any part thereof, the objective of which is the expression of an opinion [<i>or conclusion</i>] on the financial statements or a part thereof. (Ref: par. 4.25[k])</p>
<p><i>l.</i> An alert in a separate paragraph that restricts the use of the practitioner’s report that</p> <p>i. states that the report is intended solely for the information and use of the specified parties</p> <p>ii. identifies the specified parties for whom use is intended</p> <p>iii. states that the report is not intended to be and should not be used by anyone other than the specified parties (Ref: par. 4.A28 )</p> <p>When the engagement is also performed in accordance with government auditing standards, instead of including the information in paragraph 4.25[l] the alert should</p> <p>(1) describe the purpose of the practitioner’s report and</p> <p>(2) state that the practitioner’s report is not suitable for any other purpose.</p>	<p><b>4.A28.</b> The purpose of the restriction on the use of the practitioner’s report on applying agreed-upon procedures is to restrict its use to only those parties that have agreed upon the procedures performed and taken responsibility for the sufficiency of the procedures. Paragraph 4.27 describes the process for adding parties who were not originally contemplated in the agreed-upon procedures engagement. (Ref: par. 4.25[l])</p>
<p><i>m.</i> When applicable, reservations or restrictions concerning procedures or findings (Ref: par. 4.A29)</p>	<p><b>4.A29.</b> The practitioner also may include explanatory paragraph(s) about matters such as the following:</p> <ul style="list-style-type: none"> <li>• Disclosure of stipulated facts, assumptions, or interpretations (including</li> </ul>

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
	<p>the source thereof) used in the application of agreed-upon procedures (For example, see chapter 8<sup>6</sup> of the attestation standards.)</p> <ul style="list-style-type: none"> <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 of sampling risk (Ref: par. 4.25[m])</li> </ul>
<p><i>n.</i> When applicable, a description of the nature of the assistance provided by a practitioner’s specialist, as discussed in paragraphs 4.16–4.17</p> <p><i>o.</i> The manual or printed signature of the practitioner’s firm</p> <p><i>p.</i> The city and state where the practitioner practices</p> <p><i>q.</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.)</p>	
<p><b>Restrictions on the Performance of Procedures</b></p> <p><b>4.26.</b> When circumstances impose restrictions on the performance of the agreed-upon procedures, the practitioner should attempt to obtain agreement from the specified parties for modification of the agreed-upon procedures. When such agreement cannot be obtained (for example, when the agreed-upon procedures are published by a regulatory agency that will not modify the procedures), the practitioner should describe any restrictions on the performance of procedures in the agreed-upon procedures report or withdraw from the engagement.</p>	
<p><b>Adding Specified Parties (Nonparticipant Parties)</b></p> <p><b>4.27.</b> If the practitioner agrees to add a nonparticipant party, the practitioner should obtain affirmative acknowledgment, normally in writing, from the nonparticipant party agreeing to the procedures performed and of its taking</p>	<p><b>Adding Specified Parties (Nonparticipant Parties)</b></p> <p><b>4.A30.</b> Subsequent to the completion of the agreed-upon procedures engagement, a practitioner may be requested to consider the addition of another party as a specified party (a nonparticipant party). The practitioner may agree to</p>

<sup>6</sup> Paragraph 8.AXX. (Chapter 8 of the clarified attestation standards has not yet been exposed for comment. The application guidance referred to in this paragraph is found in paragraph .26 of extant AT section 601.)

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
<p>responsibility for the sufficiency of the procedures. (Ref: par. 4.A30)</p> <p><b>4.28.</b> If the report is reissued to acknowledge the nonparticipant party, the report date should not be changed. (Ref: par. 4.A30)</p> <p><b>4.29.</b> If the practitioner provides written acknowledgment that the nonparticipant party has been added as a specified party, such written acknowledgment ordinarily should state that no procedures have been performed subsequent to the date of the report.</p>	<p>add a nonparticipant party as a specified party, based on consideration of such factors as the identity of the nonparticipant party and the intended use of the report. If the nonparticipant party is added after the practitioner has issued the practitioner’s report, the report may be reissued or the practitioner may provide other written acknowledgment that the nonparticipant party has been added as a specified party. (Ref: par. 4.27–4.28)</p>
<p><b>Knowledge of Matters Outside Agreed-Upon Procedures</b></p> <p><b>4.30.</b> Although the practitioner need not perform procedures beyond the agreed-upon procedures, if in connection with the application of agreed-upon procedures, matters come to the practitioner’s attention by other means that significantly contradict the subject matter or assertion referred to in the practitioner’s report, the practitioner should include this matter in the practitioner’s report. (Ref: par. 4.A31–4.A32)</p>	<p><b>Knowledge of Matters Outside Agreed-Upon Procedures</b></p> <p><b>4.A31.</b> For example, if, during the course of applying agreed-upon procedures regarding an entity’s internal control, the practitioner becomes aware of a material weakness by means other than performance of the agreed-upon procedure, this matter would be included in the practitioner’s report. (Ref: par. 4.30)</p> <p><b>4.A32.</b> When the practitioner applies agreed-upon procedures to an element, account, or item of a financial statement and has performed (or has been engaged to perform) an audit of the entity’s related financial statements, if the auditor’s report on such financial statements includes a departure from the standard report, the practitioner may include a reference to the auditor’s report and the departure from the standard report in the practitioner’s agreed-upon procedures report. (Ref: par. 4.30)</p>
<p><b>Documentation</b></p> <p><b>4.31.</b> The practitioner should prepare engagement documentation that is sufficient to determine</p> <ul style="list-style-type: none"> <li>a. the specified parties’ agreement on the procedures.</li> <li>b. the nature, timing, and extent of the procedures performed to comply with relevant chapters of the attestation standards and applicable legal and regulatory requirements, including <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; and</li> <li>iii. who reviewed the engagement work performed and the date and</li> </ul> </li> </ul>	

**Chapter 4—Agreed-Upon Procedures Engagements**

Requirements	Application Guidance
<p>extent of such review.</p> <p>c. the results of the procedures performed and the evidence obtained.</p>	

**4.A33.**

**Exhibit—Illustrative Agreed-Upon Procedures Reports**

The illustrative agreed-upon procedures reports meet the applicable reporting requirements in paragraphs 4.25–4.30. A practitioner may use alternative language in drafting an agreed-upon procedures report, provided that the language meets the applicable requirements in paragraphs 4.25–4.30. Example 1 is an illustrative agreed-upon procedures report related to a Statement of Investment Performance Statistics. Examples 2–3 provide illustrations of reports in which the practitioner has applied agreed-upon procedures to elements, accounts, or items of a financial statement.

**Example 1—Agreed-Upon Procedures Report Related to a Statement of Investment Performance Statistics**

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

*[Appropriate Addressee]*

We have applied the procedures enumerated below, which were agreed to by the audit committees and managements of ABC Inc. and XYZ Fund, to the accompanying Statement of Investment Performance Statistics of XYZ Fund (prepared in accordance with the criteria specified therein) for the year ended December 31, 20X1. XYZ Fund’s management is responsible for the Statement of Investment Performance Statistics. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

*[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 review of the subject matter, 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. 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.

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

This report is intended solely for the information and use of the audit committees and managements of ABC Inc. and XYZ Fund, and is 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 2:—Agreed-Upon Procedures Report in Connection With a Proposed Acquisition**

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

[Appropriate Addressee]

We have applied the procedures enumerated below, which were agreed to by the Board of Directors and management of ABC Company, to the cash and accounts receivable information as of December 31, 20XX, included in schedules and the ABC Company general ledger supplied to us by management of ABC Company. We were asked to apply these procedures in connection with the proposed acquisition of XYZ Company as of December 31, 20XX. XYZ Company is responsible for its cash and accounts receivable records. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

**Cash**

1. For the bank accounts listed below, we performed the following procedures:
  - a. Obtained a bank confirmation of the cash on deposit as of December 31, 20XX.
  - b. Obtained from XYZ Company personnel specified by management, the December 31, 20XX, bank reconciliations and the December 31, 20XX, general ledger.
  - c. Agreed the balance confirmed by the bank to the amount shown on the bank reconciliations.
  - d. Mathematically checked the bank reconciliations and agreed the cash balances per book listed in the reconciliation to the respective general ledger account balances.

<b>Bank</b>	
DEF National Bank, general ledger account 123	\$5,000
LMN State Bank, general ledger account 124	3,776
RST Trust Company regular account, general ledger account 125	86,912
RST Trust Company payroll account, general ledger account 126	<u>5,000</u>

	<u>\$110,688</u>
--	------------------

We found no exceptions as a result of the procedures.

**Accounts Receivable**

2. We obtained an accounts receivable aged trial balance as of December 31, 20XX, from XYZ Company (see Exhibit A). We mathematically checked that the individual customer account balance subtotals in the aged trial balance of accounts receivable agreed to the total accounts receivable per the aged trial balance. We agreed the total per the aged trial balance to general ledger account 250.

We found no exceptions as a result of the procedures.

3. We obtained the accounts receivable subsidiary ledger as of December 31, 20XX, from XYZ Company. We agreed the individual customer account balances shown in the aged trial balance of accounts receivable (Exhibit A) as of December 31, 20XX, to the balances shown in the accounts receivable subsidiary ledger.

We found no exceptions as a result of the procedures.

4. We traced the aging (according to invoice dates) for 50 customer account balances shown in Exhibit A to the details of outstanding invoices in the accounts receivable subsidiary ledger. The balances selected for tracing were determined by starting at the eighth item and selecting every fifteenth item thereafter.

We found no exceptions in the aging of the amounts of the 50 customer account balances selected. The sample size traced was 9.8 percent of the aggregate amount of the customer account balances.

5. We mailed confirmations directly to the customers representing the 150 largest customer account balances selected from the accounts receivable trial balance, and we received responses as indicated below. We also traced the items constituting the outstanding customer account balance to invoices and supporting shipping documents for customers from which there was no reply. As agreed, any individual differences in a customer account balance of less than \$300 were to be considered minor, and no further procedures were performed.

Of the 150 customer balances confirmed, we received responses from 140 customers; 10 customers did not reply.

No exceptions were identified in 120 of the confirmations received. The differences disclosed in the remaining 20 confirmation replies were either minor in amount (as defined above) or were reconciled to the customer account balance without proposed adjustment thereto. A summary of the confirmation results according to the respective aging categories is as follows.

<b>Accounts Receivable December 31, 20XX</b>			
<i>Aging Categories</i>	<i>Customer Account Balances</i>	<i>Confirmations Requested</i>	<i>Confirmations Received</i>
Current	\$156,000	\$ 76,000	\$ 65,000
Past due:			

Less than one month	60,000	30,000	19,000
One to three months	36,000	18,000	10,000
Over three months	48,000	<u>48,000</u>	<u>8,000</u>
	<u>\$300,000</u>	<u>\$172,000</u>	<u>\$102,000</u>

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 a review, the objective of which would be the expression of an opinion or conclusion, respectively, on cash and accounts receivable. 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.

This report is intended solely for the information and use of the board of directors and management of ABC Company and is 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—Agreed-Upon Procedures Report in Connection With Claims of Creditors**

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

*[Appropriate Addressee]*

We have applied the procedures described below, which were agreed to by the Trustee of XYZ Company, to the claims of creditors of XYZ Company as of May 31, 20XX, as set forth in the accompanying Schedule A. XYZ Company is responsible for maintaining records of claims submitted by creditors of XYZ Company. The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

1. Obtain the general ledger and the accounts payable trial balance as of May 31, 20XX, from XYZ Company. Agree the total of the accounts payable trial balance to the balance in general ledger account 450.

The total of the accounts payable trial balance agreed with the balance in the related general ledger account.

2. Obtain the documentation submitted by creditors in support of the amounts claimed and the accounts payable trial balance from XYZ Company. Compare the creditor name and amounts from the claim documents to the respective name and amounts shown in the accounts payable trial balance. For any differences identified, request XYZ Company to provide supporting detail.

All differences noted are presented in column 3 of Schedule A. Except for those amounts shown in column 4 of Schedule A, all such differences were agreed to [*describe supporting detail e.g. provide name of schedule*].

3. Using the documentation submitted by creditors in support of the amounts claimed, compared the name and amount to invoices, and if applicable, receiving reports, provided by XYZ Company.

No exceptions were found as a result of these comparisons.

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 a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the claims of creditors set forth in the accompanying Schedule A. 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.

This report is intended solely for the information and use of the Trustee of XYZ Company and is not intended to be and should not be used by anyone other than this specified party.

[*Practitioner's signature*]

[*Practitioner's city and state*]

[*Date of practitioner's report*]